

CITY OF FAYETTEVILLE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
JULY 31, 2005

Prepared By:
Lynn Robinson
Director of Finance

Submitted By:
Joe Morton
City Manager

INTRODUCTORY SECTION

CITY OF FAYETTEVILLE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JULY 31, 2005

TABLE OF CONTENTS

Page

INTRODUCTORY SECTION

Table of Contents	i - ii
Letter of Transmittal.....	iii - xii
Certificate of Achievement for Excellence in Financial Reporting	xiii
List of Principal Officials	xiv
Organizational Chart	xv

FINANCIAL SECTION

Independent Auditor's Report.....	1 and 2
Management's Discussion and Analysis.....	3 - 9

Basic Financial Statements:

Government-wide Financial Statements

Statement of Net Assets	10 and 11
Statement of Activities	12 and 13

Fund Financial Statements:

Balance Sheet – Governmental Funds	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	15 and 16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	17
General Fund – Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual	18 and 19
Statement of Net Assets – Proprietary Funds	20 and 21
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds	22
Statement of Cash Flows - Proprietary Funds	23 and 24
Notes to Financial Statements.....	25 - 51

Combining and Individual Fund and Statements and Schedules:

Combining Balance Sheet – Nonmajor Governmental Funds.....	52 and 53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	54 and 55
Special Revenue Funds – Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	56 - 60
Capital Projects Funds – Schedule of Revenue, Expenditures, and Changes in Fund Balances – Budget and Actual	61 - 63

CITY OF FAYETTEVILLE, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JULY 31, 2005

TABLE OF CONTENTS

	<u>Page</u>
FINANCIAL SECTION (Continued)	
Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds	64
Component Unit – Downtown Development Authority:	
Balance Sheet – Component Unit - Downtown Development Authority	65
Statement of Revenues, Expenditures and Changes in Fund	
Balance – Component Unit - Downtown Development Authority	66
Component Unit – Main Street Tourism Association:	
Statement of Cash Flows – Component Unit - Main Street Tourism Association	67
Other Supplementary Information:	
Independent Auditor's Report on Internal Control over Financial Reporting and on	
Compliance and Other Matters Based on an Audit of Financial Statements	
Performed in Accordance with <i>Government Auditing Standards</i>	68 and 69
STATISTICAL SECTION (Unaudited)	
General Fund Expenditures by Function - Last Ten Fiscal Years.....	70 and 71
General Fund Revenues by Source - Last Ten Fiscal Years	72 and 73
General Fund Tax Revenues by Source - Last Ten Fiscal Years	74 and 75
Property Tax Levies and Collections - Last Ten Fiscal Years	76 and 77
Assessed and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	78 and 79
Property Tax Rates - Direct and Overlapping Governments - Last Ten Fiscal Years	80
Principal Taxpayers.....	81
Computation of Legal Debt Margin.....	82
Computation of Direct and Overlapping Bonded Debt - General Obligation Bonds	83
Revenue Bond Coverage - Water and Sewer Fund - Last Ten Fiscal Years	84 and 85
Demographic Statistics - Last Ten Fiscal Years	86
Property Value, Construction Activity and Bank Deposits - Last Ten Fiscal Years.....	87 and 88
Miscellaneous Statistics	89
User Fees and Charges	90
Water Supply By Source.....	91
Wastewater Treatment Plant Average Flow	92
Water and Sewer Customers	93
Water and Sewer User Rates	94



City of Fayetteville

240 Glynn Street South • Fayetteville, Georgia 30214
Telephone (770) 461-6029 • Facsimile (770) 460-4238

MAYOR
Kenneth Steele

COUNCIL
Glenn Brewer
Larry Dell
Al Hovey-King
Wilson Price
Walt White

CITY MANAGER
Joe Morton

CITY CLERK
Judy Stephens

November 28, 2005

Honorable Ken Steele, Mayor
And Members of the City Council
City of Fayetteville
Fayetteville, Georgia 30214

Mayor and Council Members:

The comprehensive annual financial report of the City of Fayetteville, Georgia for the fiscal year ended July 31, 2005, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the government. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds and account groups of the government. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The comprehensive annual financial report is divided into an introductory section, financial section, and statistical section. The introductory section includes this transmittal letter, a title page, and a table of contents, the government's organizational chart, a list of principal officials, and a copy of the Certificate of Achievement for Excellence in Financial Reporting (CAFR). The financial section includes the independent auditor's report, basic financial statements, the combining and individual fund and statements and schedules, and other supplementary information. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Fayetteville's MD&A can be found immediately following the report of the independent auditors. The final section is the statistical section, which includes selected financial and demographic information.

The City is required to undergo an audit in conformity with Governmental Auditing Standards. The auditor's report on compliance and internal control over financial reporting and the status of prior year findings is included in this report.

In accordance with certain provisions contained in the 1996 amendments to the Single Audit Act, the City is not required to issue a separate single audit report on federal programs activity for its fiscal year ended July 31, 2005. The dollar threshold of applicability requiring a single audit is \$500,000 of which the City's program expenditures did not meet.

Reporting Entity. This report includes all funds and account groups of the primary government, as well as the component units. The government provides a full range of services. These services include police protection, fire protection, the construction and maintenance of highways, streets and drainage improvements, planning and zoning, engineering, building and code enforcement, water and sewer service, and Main Street activities and events.

Discretely presented component units are reported as a separate column in the government-wide financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from the primary government. The Downtown Development Authority and Main Street Tourism Association are reported as discretely presented component units.

Government Structure. A Mayor and five (5) City Council members serve the City of Fayetteville. The Mayor and City Council are elected at large and serve four (4) year staggered terms. The Mayor and City Council serves as the legislative body responsible for enacting City ordinances, resolutions, appropriating funds, and providing policy direction to City staff. The City Council appoints a City Manager, City Attorney, City Auditor, Municipal Court Judge and various Boards, Commissions and Authorities. The City Council annually adopts a balanced budget and establishes a tax rate for the support of the City programs. The City Manager and Department Directors have the responsibility of administering these programs in accordance with policies and the annual budget adopted by the City Council.

General Information. The City of Fayetteville is the county seat of Fayette County. Fayetteville was incorporated on December 20, 1823. There was more or less a city/county government until the 1880's. The first mayor elected in Fayetteville was W. P. Redwine in 1889.

In 1900, the first gas lamps and telephones were installed. The Fayette County News that began in 1886 is still in operation. The Holliday-Dorsey-Fife house was built in 1855 and used its first two years as a dormitory for students and teachers of the Fayetteville Academy. The Holliday-Dorsey-Fife house was built by Dr. John Stiles Holliday, the uncle of the "Doc" Holliday of Western fame. Today, the City of Fayetteville Downtown Development Authority owns the Holliday-Dorsey-Fife house and is operating it as a museum. The Fayetteville Academy moved to another location, which later became the Glynn Street School and later in 1994 was renovated and is where the Fayetteville City Hall resides.

The history of Fayetteville remains in the downtown area, the historic district, through a program that initially was created in 1994 to bring businesses and activities into the historic district. Development standards have been developed just for the historic district. Fayetteville was designated Georgia's 37th Main Street City by the Georgia Department of Community Affairs in 1996.

Economic Condition and Outlook

Located approximately 25 miles south of Atlanta, the City of Fayetteville is named for General Marquis de Lafayette of France, who aided the American colonists during the Revolutionary War. Fayetteville was named as the county seat in 1823 and the present-day courthouse in the town square was built in 1825. Listed on the National Register, it remains the oldest courthouse in Georgia and boasts the longest court bench in the world.

Fayetteville was designated Georgia's 37th Main Street City by the Georgia Department of Community Affairs in 1996. The history of Fayetteville remains in the downtown area, the historic district, through the vision and collaborative efforts of the staff and boards of Main Street and the Downtown Development Authority (DDA).

Downtown Fayetteville is rich in history with the preservation of many notable places of interest. Most of the store buildings that exist today around the courthouse square were built in the late 1890s and early 1900s.

South of the square, the renovation of the Holliday-Dorsey-Fife House Museum, an antebellum structure with large white columns considered by many to be one of the most refined of the Greek Revival houses in Fayette County, is one of the most recognizable landmarks in the south metro area. The house has ties with some well-known personalities such as John Henry "Doc" Holliday of old west fame, former Georgia Governor Hugh M. Dorsey, Margaret Mitchell of *Gone With The Wind* fame, and abounds in Confederate history.

Across the street, lies the city's historic cemetery circa 1823. The Fitzgerald's, great-grandparents of Margaret Mitchell, as well as the Holliday's, Dorsey's and Fife's are laid to rest. A recently constructed entranceway, long-term project for refurbishing and repairing headstones and designing a self-guided, walking tour brochure are many projects underway for preserving Fayetteville's history.

West of the square, work began to renovate the historic Train Depot into Fayetteville's Welcome Center. Built in 1902, the Train Depot will continue to be used as a special events facility and function as the Main Street offices.

Fayetteville has a strong historical preservation ethic that is evident throughout the downtown district. Numerous festivals and events are held on the square during the calendar year which brings thousands of people to downtown to participate in fellowship and community. Additionally the Villages Amphitheater, also located within the Main Street District, plays host to a wide array of concerts, films, and dramatic events.

The economic condition and outlook of the City remain strong as the area is predicted to have a sustained growth pattern through 2010. City leaders have recognized and plans have been developed and/or implemented to maintain balanced, controlled and planned developments in concert with an economic development plan that encourage appropriate growth. The economic growth has also placed increased demands on services, but the City has adopted a conservative approach and implemented programs to meet these demands. The City has still been able to provide its services at a cost per capita that is comparable to other communities with similar demographic and economic characteristics.

The financial position of the City continues to be stable. This is primarily a result of careful budget management and expenditure of funds. The City has been able to maintain or reduce the millage rate on Ad Valorem taxes for the past twelve (12) years. This has been due to an increase in other revenue sources and budget management of expenditures.

Future stability for the City of Fayetteville remains good due to maintaining adequate fund balances consistent with our reserve fund policy. With continued monitoring of our revenues and expenditures, the City can meet goals and objectives in the public service area; police and fire protection, street and drainage improvements, and infrastructure.

Major Initiatives

Mayor and City Council:

Overall Goals and Objectives – (1) Achieve all goals while striving for the lowest total cost for public services, (2) Maintain a managed growth policy that requires quality development in concert with our economic development strategy, (3) Provide for the public safety and welfare by committing appropriate resources to police, fire, streets, recreation, water and sewer, (4) Continue cooperative efforts with other governments, (5) Preserve our historic and cultural heritage and encourage revitalization of downtown through support of Main Street initiatives.

Finance and Administration:

Overview – The Finance and Administrative Department consists of the City Manager, City Clerk, Director of Finance and Administration and support personnel. The City Manager is appointed by the Mayor and City Council and is responsible for the execution of policies and legislative action of the City Council, direction, control and coordination of operational agencies. The City Clerk is responsible for City Council agenda preparation, minutes and custodian of City records. The City Clerk also acts in a support role to the City Manager, Mayor and City Council. The Director of Finance and Administration is responsible for planning, developing, implementing, and maintaining the administrative and financial operations of the City including purchasing, occupational taxes, water administration, municipal court services, information technology, and assisting the City Manager with preparing the annual budget and capital improvement plan.

Accomplishments:

- ❖ Continued implementing and updating the administrative policy manual.
- ❖ Continued the Countywide (Fayette County Board of Commissioners, Fayette County Board of Education, and Municipalities) Collaborative Purchasing Agreement.
- ❖ Received the Certificate of Achievement for Excellence in Financial Reporting. This is the ninth consecutive year.
- ❖ Continued to create computerized query reports for financial use.
- ❖ Amended the City's personnel manual and the occupational tax ordinance.
- ❖ Continuation of GASB 34 implementation; that now includes comparisons between FY2003 CAFR and FY2004 CAFR.
- ❖ Continued updating of the Fixed Assets Program as required through GASB 34.
- ❖ Request for proposals and selection of an Insurance Broker for the City.
- ❖ Request for proposals and selection of Banking Institution for the City's banking services.
- ❖ Completion of Law Enforcement Center construction contract.

- ❖ Updated rate schedules for Occupational Tax and Alcohol Permits.
- ❖ Implementation of Workload Performance Indicators by Department.
- ❖ Prepared and presented a strategic plan document for the City, including trend analysis in conjunction with our five-year forecast.
- ❖ Implemented a wellness program for the City of Fayetteville employees.
- ❖ Implementation of alternate payments by credit/debit cards.

Information Systems:

Overview – To create a comfortable, respectful, and professional environment, based on understanding and trust, to inform and assist those who seek our services. The Information Systems staff is dedicated to increase the effectiveness of City's employees and decision-making processes by implementing, enhancing and maintaining computing systems and database files and by the provision of support for all staff and citizens using the systems.

Accomplishments:

- ❖ Made GIS part of the City's day-to-day operations.
- ❖ Installed new data switches.
- ❖ Installed point to point T1 data connection (City Hall to Water).
- ❖ Installed point to point T1 data connection (City Hall to Law Enforcement Center).
- ❖ Reduced Centrex by 30%.
- ❖ Upgraded 30% of the city users PC's.
- ❖ Installed VOIP Phone network.

Municipal Court:

Overview – The Municipal Court of Fayetteville is dedicated to the principle of equal and timely access to justice so that all individuals are treated with integrity, honesty, equality, respect for the rule of law, and the rights of all. The Court uses all staff members in a collaborative effort to operate the court efficiently and effectively while maintaining public trust and confidence. The Municipal Court prepares and processes records, citations, warrants and other legal papers for the Court. Court personnel receive and deposit monies collected for fines and fees, set court dates, issue subpoenas and warrants, prepare various reports, records, and other documents pertinent to the operation of the Court and those required by the State of Georgia.

Accomplishments:

- ❖ Proper disposition of outdated records.
- ❖ Updated our records management system for new files to comply with the courts needs.
- ❖ Continued training of a staff with required knowledge of court procedures.
- ❖ Continued reeducation in jail inmate cost.

Police:

Overview – The men and women of the Fayetteville Police Department are committed to protect life, property, and the constitutional guarantees of all citizens of Fayetteville and those who travel through our great City. With community partnership as our foundation, we, as a department, are entrusted to enhance the quality of life, seek solutions to community problems and foster a sense of peace and security for all people within our City. We will honor this trust placed in us by holding ourselves to the highest standards of professional police conduct.

Accomplishments:

- ❖ The department continues to actively partner with neighborhood watch programs and schools targeting crime prevention, through such programs as "Stranger/Danger," "Prom Night Out," and "Operation ID" to continue a proactive stance to deter and prevent criminal activity.
- ❖ The department also had a huge success with "Shop-With-A-Cop and the Junior Policy Academy.
- ❖ The police department has successfully used the Mobile Command Vehicle to assist other agencies and the City with various events including: The Tour de Georgia and the metro area disaster training with mock drills.
- ❖ The department continues to encourage professional development. The average number of training hours for FY2005 was 30.45 hours per officer.
- ❖ The police department had a very successful CALEA on-site and received our first Re-Accreditation award in March at the Birmingham, Alabama conference.

- ❖ In February 2005 the police department moved into its new building located at 760 Jimmie Mayfield Boulevard. The new location allows for more public parking, a second employee parking area, large evidence room with garage, holding facilities, training room, and fitness room.

Fire:

Overview – The City of Fayetteville Fire Department responds to various types of emergency incidents including all types of fires, emergency medical calls, motor vehicle and other accidents, rescue calls, bomb threats or detonations, severe weather and flooding emergencies, and hazardous materials emergencies as part of the Fayette County multi-jurisdictional hazardous materials response team. Fire department personnel perform numerous prevention and public relations functions which include annual pre-fire plan updates on all businesses, fire safety inspections, annual hydrant maintenance, emergency management functions, delivery of fire safety programs in all elementary and pre-schools, severe weather safety programs, plan reviews, station tours, blood pressure screenings, parades, CPR classes and other specialty programs, participation in Fayette County Safe Kids program, and distribution of smoke detectors. The City of Fayetteville provides for a volunteer service to supplement career resources. The volunteer section maintains a rank structure for supervision on training exercises, emergency scenes, work details, and to provide general maintenance of the program. Volunteer Services supplements through emergency response, stand by at stations or other assistance for special events or work details.

Accomplishments:

- ❖ Maintained lowest average response time countywide for emergency responses.
- ❖ Acquired \$77,000 in grant funds, including a \$56,000 federal grant request for station improvements to enhance employee safety.
- ❖ Continued to develop training levels of personnel to address increased threat of terrorism.
- ❖ Completed work on City of Fayetteville Pre-Disaster hazard Mitigation Plan and update of City threat assessment plan.
- ❖ Completed Insurance Services Office update.
- ❖ Completed renovation and expansion of fire department headquarters into former police station
- ❖ Completed apparatus replacement project.
- ❖ Established performance indicators for all fire department functions.

Public Works:

Overview – The City of Fayetteville Public Works Department is responsible for the maintenance of all streets, sidewalks and drainage facilities located on public property. The department is also responsible for grass cutting along City streets and State highways. The department provides landscaping services for public property. In addition, this department is responsible for traffic control and the resurfacing of City streets in association with the Georgia Department of Transportation Local Assistance Road Program (LARP). The Public Works Department provides emergency services including road closing and sandbagging flood prone areas. The department assists Police with traffic control during City Events. And, the Public Works Department assists the Main Street Department with set up and cleans up during their functions.

Accomplishments:

- ❖ Completed the LARP program.
- ❖ Base work completed for all 12 LARP streets.
- ❖ Sidewalk improvements.
- ❖ Drainage city wide creeks and creek crossing maintenance.
- ❖ Downtown planting.
- ❖ Assisting Main Street with downtown projects and concerts.
- ❖ Highways, streets and sidewalk maintenance city wide.

Engineering:

Overview – The Engineering and Developmental Services Department is responsible for development plan review, permitting and inspection, building plan review, permitting and inspection, sign review, permitting, inspection and enforcement, code enforcement, investigate citizen code violation complaints, Impact Fee contract, drainage review and construction, and transportation engineering and construction. This department also gives technical assistance to Water and Sewer Department, Planning and Zoning, and Main Street Program. This department prepares new ordinances as needed to better serve the public.

Accomplishments:

- ❖ Circle Drive and Pine Street culvert project completed.
- ❖ Pye Lake agreement approved.
- ❖ Applied for FEMA grant for Pye Lake.
- ❖ Designs of Pye Lake Dam Rehabilitation and CIP Culverts completed.
- ❖ Environmental Ordinances approved.
- ❖ NPDES Phase II NOI approved.
- ❖ Acquired right of way for Redwine Path project.
- ❖ Completed roadway and sidewalk project.
- ❖ Grady/Stonewall/Booker TE project design underway.
- ❖ SPLOST approved and priority list developed.
- ❖ Redwine/Ramah Road improvements completed.
- ❖ Southside Connector Road started.
- ❖ LCI Lanier Avenue design coordination.
- ❖ Ellis Road/Hwy 85 and Hwy 54/Hospital traffic signals approved.
- ❖ GDOT agreed to fund and administer Jeff Davis at Hwy 85 intersection improvements.
- ❖ Law Enforcement Center completed.
- ❖ Building Department completed move to old Police HQ as part of facilities plan.

Planning and Zoning:

Overview – The Planning and Zoning Department strives to maintain and improve the overall quality of life for all citizens of the City of Fayetteville by promoting sustainable development, encouraging a stable and enduring economic base, providing for the safety, health and education and preserving the natural, cultural and historic assets of the City of Fayetteville. The Planning and Zoning Department coordinates the development and implementation of the City of Fayetteville's Comprehensive Plan, special area studies, plan review process, Zoning Ordinance, Sign Ordinance, Landscape Ordinance and GIS program. The Planning and Zoning Department expeditiously review and respond to all inquiries, applications and studies dealing with current planning, zoning, subdivision and land development to achieve a well designed, planned and quality community in accordance with adopted ordinances, resolutions and policies. The Planning and Zoning Department provides all necessary land use, economic, environmental and social data upon which to base effective governmental decision resulting in orderly growth and development and a high quality of life for present and future citizens. The Planning and Zoning Department develops, maintain and implement a comprehensive geographic information system to improve and enhance the decision-making capabilities of the City of Fayetteville.

Accomplishments:

- ❖ Completed Housing inventory report.
- ❖ STWP/CIE Comprehensive Plan updated.
- ❖ Built zoning and future land use map database for City GIS.
- ❖ LCI construction funding.
- ❖ Readoption of the Official Zoning map created by staff in GIS.
- ❖ Readoption of the Comprehensive Plan Future Land Use map created by staff in GIS.
- ❖ Zoning Ordinance amendments to C-4 zoning district.
- ❖ Adoption of Conservation Subdivision Ordinance.
- ❖ Landscaping Ordinance amendments.
- ❖ Planning Commission reviewed:
 - 28 Development Plans
 - 5 Elevations
 - 6 Special Exceptions
 - 2 Annexations and Rezoning
 - 6 Rezoning
 - 6 Preliminary Plats
 - 3 Zoning Ordinance Amendments
 - 18 Variances
 - 92 Permanent Signs
 - 3 Temporary Ground Signs
 - 157 Banner Permits

Main Street:

Overview – The mission of the Main Street program is to market and preserve Fayetteville's downtown district through historical preservation and revitalization efforts by creating a synergy between business, government and the citizens of the community. The Main Street Department manages the planning, promotion and implementation of established Main Street events. The department plans, promote, implement and develop community related promotional and fundraising activities such as the main Street Golf Tournament. Direct downtown historic preservation and revitalization efforts include the Hollingsworth House, Holliday-Dorsey-Fife House, City Cemetery and future historic projects. The Main Street Department develops funding sources and master plans for community use of above properties and coordinate the participation of groups/individuals involved in the support of such projects. Initiate continual efforts to define Main Street's image and character through building rehabilitation, façade renewal, signage improvements and consistent application of historic design standards. The Main Street Department plans and manages downtown public amenity improvements including murals, landscaping, sidewalks, benches, planters, the gazebo, signage and lighting.

Accomplishments:

- ❖ Continued successful operation of the Villages Amphitheater.
- ❖ Increased series ticket holders to 77% of capacity.
- ❖ Exceeded budget for sponsorship revenues.
- ❖ Continued extended programming to include Film Nights, free concerts, Fayette Idol, Community Theater and God and Country Night.
- ❖ Contracted Marketing Coordinator.
- ❖ Developed web site for DDA.
- ❖ Developed joint newsletter for DDA and Main Street.
- ❖ Completed work on entranceways of City Cemetery.
- ❖ Purchased trash receptacles and benches for Backstreet and downtown.
- ❖ Worked with local boy scouts to refurbish other downtown benches.
- ❖ Worked with Leadership Fayette to provide enhancements to the City Cemetery.
- ❖ Expanded Taste of Fayette & Christmas Tree Lighting.
- ❖ Assisted with LCI design efforts for the downtown area.
- ❖ Closed on first DDRLF low interest financing for Travis House.
- ❖ Expanded Downtown signage.
- ❖ Assisted with planning and implementation of Tour de Georgia.

Water and Sewer:

Overview – The Water and Sewer Department is responsible for supplying water to City of Fayetteville residents for potable and fire fighting uses. Treat and dispose of the wastewater generated by the City of Fayetteville as per regulations set forth by all state and federal agencies.

Accomplishments:

- ❖ Backflow prevention program continuing.
- ❖ Automated meter reading program completed.
- ❖ Water Plant particle counters installed.
- ❖ Service Truck purchased.
- ❖ Thirty-seven percent of Sewer Collection System inventoried.
- ❖ Mixers on SBR Units upgraded.

Personnel:

No new positions were allotted in fiscal year 2005 for any fund or department. An average of 3% was allocated to continue our pay for performance salary plan and retention plan. Employee health and dental insurance increased by approximately 15% due to premium adjustments, changes in dependent status and increased employee participation. The employee's life insurance costs will increase as salaries increase because coverage is based on annual income with a limit of \$50,000.

Capital Improvement Program:

Capital improvements programming involves: 1) identifying major public facilities needed to serve existing development or to support future growth, 2) determining when these should be provided, 3) deciding how to pay for

them. Capital Improvements are major projects undertaken by the City that are generally not on a “year-in, year-out” basis, and fit within one or more of the following categories.

1. Purchase of major equipment and vehicles value in excess of \$5,000 with a life expectancy of three years.
2. Construction (new) including engineering, design, and other pre-construction costs with an estimated cost excess of \$5,000.
3. Major building improvements that are not routine expenses and will substantially enhance the value of the structure.
4. Major equipment or furnishings required to furnish new buildings or other projects.
5. Major studies requiring the employee of out-of-state professional consultants in excess of \$5,000.

It is City policy that in each fiscal year, Council shall review a five-year forecast of capital improvements together with the funding implications thereof. The current year Capital Improvements will become part of the working budget for the current fiscal year. In fiscal year 2005, the capital improvements purchased are indicated below by fund.

General Fund Capital Outlay:

The capital items funded by current year operating revenues and/or lease purchase for replacement vehicles for public safety, replacement of 2 fire apparatus, a dump truck and a landscape tractor for public works department.

Water and Sewer Fund Capital Outlay:

The Water and Sewer Fund purchased two replacement pickup trucks. Stormwater projects continue to be under construction this fiscal year and will continue in fiscal year 2006. On-going projects from prior fiscal year are continuing this year, such as, the old wastewater plant rehabilitation and the GIS mapping project. The automated meter reading project and hopper for sludge storage have been completed and added to our fixed asset program. A revenue bond issue and/or sewer proportionate share fees are funding the stormwater projects and old wastewater plant rehabilitation.

Capital Projects Fund:

The City has established a policy for capital outlay items or projects to qualify for the Capital Projects Fund. The capital outlay item must meet either criteria one or two below.

1. Capital item of \$25,000 or more and useful life of 5 years or more. Useful life standards will be set to follow the Governmental Accounting Procedures.
2. New capital outlay programs that will significantly impact the City's operating budgets with total program budget amount of \$50,000 or more.

The City had several projects that qualified for the Capital Projects Fund. The projects are listed below in the table along with funding source and if they were completed are still in progress to continue next fiscal year.

DESCRIPTION	IN PROGRESS OR COMPLETED	FUNDING SOURCE
Computer System Upgrade	Completed	Operating Revenues
New Law Enforcement Center	Completed	COPS Issue
85/314/Jeff Davis Hwy & St	In Progress	Impact Fees & DOT
City Hall and Public Safety New Phone System	Completed	Operating Revenues
Grady/Stonewall/Booker Pedestrian Improvements	In Progress	Grant & Operating Revenues
Southside Connector Road	In Progress	Impact Fees
Fire Station Expansion	Completed	Impact Fees
LCI Project #2	In Progress	Grant, Impact Fees, & Bonds
City Cemetery	Completed	DDA Loan
Downtown Backstreet Project	Completed	DDA Loan
Banks Road Widening	Completed	Impact Fees
Redwine Multi-Use Trail	In Progress	Operating Revenue

Financial information

Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principals generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that; (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

Basis of accounting. The basis of accounting used determines when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Governmental fund types and expendable trust funds use the modified accrual basis of accounting. Their revenues are recognized when they become both measurable and available. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. The financial statements for the proprietary fund types are accounted for on the accrual basis of accounting. Under this method revenues are recorded when earned, and expenses are recognized when the liability is incurred.

Accounting systems. In developing and evaluating the City's accounting control system, consideration is given in the adequacy of internal accounting controls. Internal accounting controls comprises the plan of organization and the procedures and records concerned with safeguarding of assets and the reliability of financial records and consequently are designed to provide reasonable assurance regarding: (1) the safeguarding of assets against loss from unauthorized user disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets.

Budgetary control. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The level of budgetary control is on a departmental basis. A budget is legally adopted for all Governmental Fund types and Proprietary Fund types. Formal budgetary integration is employed as a management control device during the year. The budget is based on the same method of accounting as the fund it represents. Transfers of appropriations within a department budget or within a nondepartmental expenditure category require the approval of the finance director. Increase in appropriations in a departmental budget or in a nondepartmental expense category requires approval of the governing body in the form of amendments to the budget ordinance.

Encumbrances. The City's accounting system does utilize encumbrances. The City does maintain an informal monitoring system to facilitate budgetary control over proposed expenditures. Monthly computerized reports are generated and distributed to all departments which detail year to date actual versus budgeted expenditure comparisons of the various departments by budgeted line item. The department heads use the printouts to ascertain the budget status of an expenditure category before authorizing additional purchases. The City uses a purchase order system to help maintain the level of budgetary control at the department level. The City has developed a purchasing manual with a decentralized form of a purchasing system. A "decentralized" purchasing systems means the departments have purchasing control within a limited dollar amount. When the limited dollar amount has been exceeded restrictions and conditions must be followed.

General government functions. Municipal activities and services are accounted for in the General Fund, Capital Projects Funds, Special Revenue Funds, and Enterprise Funds.

Cash management. The City strives to keep abreast of current developments and procedures in cash management to insure efficient and profitable use of available cash resources. Cash temporarily idle during the year is held in money market checking accounts. Cash equivalents are invested in certificates of deposits, market investment accounts, or the state administered investment pool. The government's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio.

Pension plans. The City participates in the Georgia Municipal Employees Benefit System (GMEBS). Full time employees working at least 30 hours a week become eligible for the plan after one year and are vested after five (5) years of service. Annual actuarial reviews are performed and funding requirements are adjusted as needed based upon directions received from the Georgia Municipal Employees Benefit System. All contributions required to meet the actuarial study have been made. The City also, has a deferred pension plan for the employees a 457/401a deferred retirement plan is offered to the employees. The City will match an employee's contribution fifty (50) cents on the dollar up to a maximum of six (6) percent. The investment companies administer the plan.

Risk Management. The City participates in the Georgia Interlocal Risk Management Association (GIRMA). Gallagher Bassett Services Inc administers the plan. The GIRMA coverage includes but is not limited to, property, casualty, crime, automobile, and general liability. The City is sufficiently insured under this policy. The City has available a comprehensive health insurance programs which is available to all city employees. Blue Choice HealthCare administers the health insurance program. The health insurance program includes health and vision. The dental, life, short and long term disability programs are administered by Fortis. The City, also, participates in the Georgia Municipal Association Workers' Compensation Self-Insurance Fund for worker's compensation coverage.

Other Information

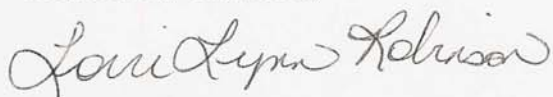
Independent audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Mauldin and Jenkins is the City's auditing firm. The independent auditors' report on the basic financial statements and combining and individual fund statements and schedules are included in the financial section of this report.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the government for its comprehensive annual financial report for the fiscal year ended July 31, 2003. This was the eighth consecutive year that the government has received this prestigious award. In order to be awarded a Certificate of Achievement, the government published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

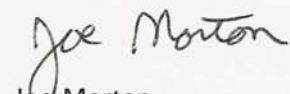
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the City staff and department directors. In closing, without the leadership and support of the Mayor and City Council, the preparation of this report would not have been possible. My sincere appreciation is extended to each individual for the contributions made in the preparation of this report.

Respectfully submitted,



Lorri Lynn Robinson
Director of Finance and Administrative Services



Joe Morton
City Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fayetteville,
Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
July 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director

CITY OF FAYETTEVILLE, GEORGIA

LIST OF PRINCIPAL OFFICIALS

MAYOR

Kenneth Steele

CITY COUNCIL MEMBERS

Larry Dell, Mayor Pro-Tem

Walt White

Glenn Brewer

Al Hovey-King

Wilson Price

CITY MANAGER

Joe Morton

CITY CLERK

Judy Stephens

DIRECTOR OF FINANCE & ADMINISTRATION

Lynn Robinson

MUNICIPAL COURT JUDGE

Michael Martin

CITY ATTORNEY

David Winkle

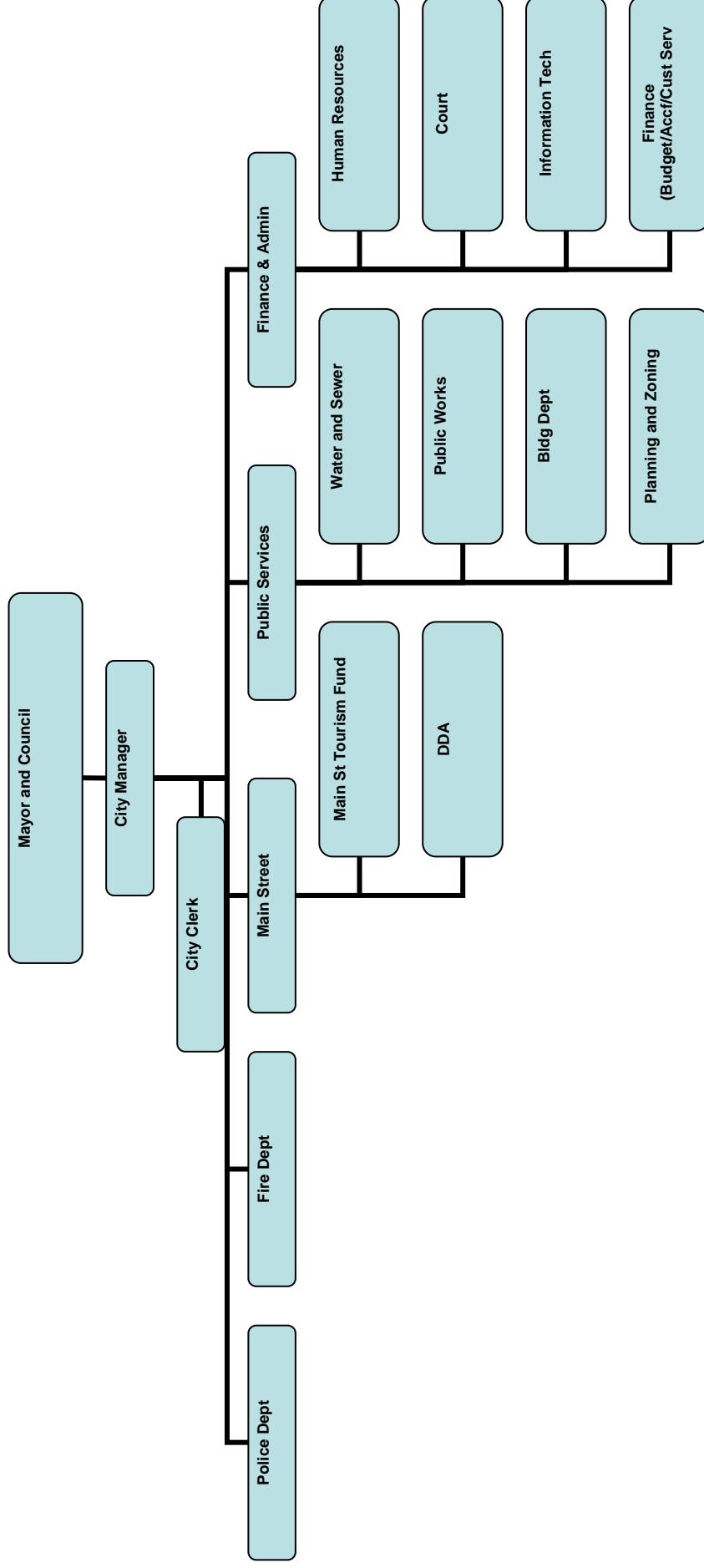
CITY AUDITORS

Mauldin & Jenkins

CITY OF FAYETTEVILLE, GEORGIA

ORGANIZATIONAL CHART

FY 2005



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

**Honorable Mayor and Members
Of City Council
City of Fayetteville
Fayetteville, Georgia**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Fayetteville, Georgia** as of and for the year ended July 31, 2005, which collectively comprise the City of Fayetteville, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Georgia as of July 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2005, on our consideration of the City of Fayetteville, Georgia's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (on pages 3 through 9) is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Fayetteville, Georgia's basic financial statements. The combining and individual nonmajor fund financial statements, introductory and statistical sections listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Fayetteville, Georgia. The schedule of expenditures of special purpose local option sales tax proceeds is presented for purposes of additional analysis as required by the Official Code of Georgia Annotated 48-8-121, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of special purpose local option sales tax proceeds of the City of Fayetteville, Georgia have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly presented in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical tables and data have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Macon, Georgia
October 28, 2005

Management's Discussion and Analysis

This management's discussion and analysis of the City of Fayetteville, Georgia's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended July 31, 2005. It is designed to give the reader an objective and easily readable analysis of the City's financial performance. The primary intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the letter of transmittal, notes to the basic financial statements, and the financial statements to enhance their understanding of the City's financial performance. The reader should note that this fiscal year (FY2005) is the City's third year of implementation of Governmental Accounting Standards Board (GASB) Statement #34, the new reporting model, and that prior year data (in the new reporting format) is now available and will be provided in this year's discussion and analysis.

Financial Highlights

Key financial highlights for FY2005 are as follows:

In total, combined net assets increased \$4,433,737 which represents an 18.6% increase over FY2004.

- Combined tax revenues accounted for \$7,357,796 or 57.5% of all revenues from governmental activities. Service specific revenues in the form of charges for services, grants, contributions, and fines and forfeitures accounted for \$5,265,327 or 41.2% of total revenues of \$12,792,296 from governmental activities.
- The City had \$9,660,749 in expenses related to governmental activities; \$5,265,327 of these expenses were offset by charges for services, grants, contributions, and fine and forfeitures. General revenues (primarily taxes) of \$7,526,969 provided \$4,392,051 for these services and \$3,131,547 for future debt service and capital improvements.
- Total Water and Sewer Fund revenues for fiscal year 2005 were \$4,392,393. Total expenses for fiscal year 2005 were \$5,131,066. Capital contributions were recorded in the amount of \$2,057,053, including but not limited to donated property and sewer proportionate share. The change in net assets after depreciation and non-operating revenues and/or expenses was \$1,293,381 for the fiscal year end.
- Revenues from the General Fund were \$8,363,919 for fiscal year 2005, an increase of approximately 1.9% over the prior fiscal year. General Fund expenditures totaled \$9,178,143 for the fiscal year ending July 31, 2005, an increase of 3.6% over last fiscal year.

Overview of the Financial Statements

This comprehensive annual financial report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Fayetteville as a financial whole, or as an entire operating entity.

Statements of Net Assets and the Statement of Activities

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what remains for future spending. For proprietary funds, the statements offer short and long term financial information about activities the City operates like businesses, such as water and sewer. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

The purpose of the Statement of Net Assets and the Statement of Activities is to answer the question, "How did we do financially during FY2005?" These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, facility conditions, and other factors.

In the Statement of Net Assets and the Statement of Activities, the City has both governmental and business-type activities:

- **Governmental Activities:** Most of the City's programs and services are reported here including general government, judicial, public safety, public works, culture and recreation, and housing and development. Sales taxes, property taxes, occupation taxes, and fines and forfeitures finance most of these activities.
- **Business-Type Activities:** The City charges fees to cover the services it provides. These activities include water and sewer services, stormwater services, sanitation services and recycling services.

Reporting the City's Most Significant Funds

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

Governmental Funds

Most of the City's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental fund information helps you determine whether there are more financial resources that can be spent in the near future to finance governmental services. The relationship (or difference) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements. See Note #2 to the Financial Statements.

The capital projects funds are used to account for financial resources to be used for the acquisition, construction, or renovation of major fixed assets. The City of Fayetteville has three (3) Capital Projects Funds: (1) Building Fund and (2) Impact Fee Fund and (3) Special Purpose Local Option Sales Tax (SPLOST) Fund.

The special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes. The City of Fayetteville has five Special Revenue Funds: (1) Greenspace Fund, (2) Confiscated Assets Fund, (3) Hotel/Motel Tax Fund, (4) Vehicle Excise Tax Fund, and (5) Cemetery Fund.

Proprietary Funds

Proprietary funds are activities that a City operates similar to a business in that it attempts to recover costs through charges to the user. The City's only proprietary funds are enterprise funds. Enterprise funds may be used to account for any activity or service that charges a fee to external users to cover the cost of operations, including cost of depreciation and debt service. The City operates its Water and Sewer Fund and Solid Waste Fund as enterprise funds. Proprietary fund statements use the accrual basis of accounting similar to the City-wide statements.

Financial Analysis

As was previously stated, the FY2005 total net assets represent an increase of 18.6% over FY2004. See Tables 1 and 2 for a schedule of net assets and change in net assets.

TABLE 1-NET ASSETS

	Governmental Activities		Business-type Activities		Total Activities	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 5,429,296	\$ 8,119,497	\$ 10,215,839	\$ 11,572,774	\$ 15,645,135	\$ 19,692,271
Capital assets	15,632,887	10,322,180	19,240,582	17,194,691	34,873,469	27,516,871
Total assets	21,062,183	18,441,677	29,456,421	28,767,465	50,518,604	47,209,142
Long-term liabilities	5,718,717	5,724,334	15,258,704	15,386,363	20,977,421	21,110,697
Other liabilities	698,799	1,207,594	542,700	1,028,275	1,241,499	2,235,869
Total liabilities	6,417,516	6,931,928	15,801,404	16,414,638	22,218,920	23,346,566
Net assets:						
Invested in capital assets, net of related debt	10,294,750	7,882,963	9,606,017	7,901,010	19,900,767	15,783,973
Restricted	87,098	3,068,384	7,253,854	8,270,414	7,340,952	11,338,798
Unrestricted	4,259,448	558,402	(3,204,854)	(3,818,597)	1,054,594	(3,260,195)
Total net assets	<u>\$ 14,641,296</u>	<u>\$ 11,509,749</u>	<u>\$ 13,655,017</u>	<u>\$ 12,352,827</u>	<u>\$ 28,296,313</u>	<u>\$ 23,862,576</u>

TABLE 2-CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Activities	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$ 2,586,830	\$ 2,175,702	\$ 4,705,682	\$ 4,544,181	\$ 7,292,512	\$ 6,719,883
Operating grants and contributions	261,203	82,320	-	-	261,203	82,320
Capital grants and contributions	2,417,294	2,827,656	2,057,053	1,353,804	4,474,347	4,181,460
Total program revenues	<u>5,265,327</u>	<u>5,085,678</u>	<u>6,762,735</u>	<u>5,897,985</u>	<u>12,028,062</u>	<u>10,983,663</u>
General revenues:						
Property taxes	2,111,885	1,856,492	-	-	2,111,885	1,856,492
Other taxes	5,245,911	4,950,999	-	-	5,245,911	4,950,999
Unrestricted investment earnings	102,383	44,827	202,529	71,502	304,912	116,329
Gain on sale of capital assets	41,791	24,728	-	-	41,791	24,728
Transfers	24,999	(15,432)	(24,999)	15,432	-	-
Total general revenues	<u>7,526,969</u>	<u>6,861,614</u>	<u>177,530</u>	<u>86,934</u>	<u>7,704,499</u>	<u>6,948,548</u>
Expenses						
General government	1,115,440	1,160,759	-	-	1,115,440	1,160,759
Judicial	589,178	478,385	-	-	589,178	478,385
Public safety	5,496,987	5,062,070	-	-	5,496,987	5,062,070
Public works	957,095	954,545	-	-	957,095	954,545
Housing and development	1,290,549	1,185,628	-	-	1,290,549	1,185,628
Interest on long-term debt	211,500	131,923	-	-	211,500	131,923
Water and sewer	-	-	5,040,537	4,322,669	5,040,537	4,322,669
Stormwater	-	-	90,529	241,349	90,529	241,349
Solid waste	-	-	507,009	555,902	507,009	555,902
Total expenses	<u>9,660,749</u>	<u>8,973,310</u>	<u>5,638,075</u>	<u>5,119,920</u>	<u>15,298,824</u>	<u>14,093,230</u>
Increase in net assets	3,131,547	2,973,982	1,302,190	864,999	4,433,737	3,838,981
Net assets, beginning of year	11,509,749	8,535,767	12,352,827	11,487,828	23,862,576	20,023,595
Net assets, end of year	<u>\$ 14,641,296</u>	<u>\$ 11,509,749</u>	<u>\$ 13,655,017</u>	<u>\$ 12,352,827</u>	<u>\$ 28,296,313</u>	<u>\$ 23,862,576</u>

Governmental Activities

Please note that public safety expenses of \$5,496,987 represent 56.9% of the total governmental expenses. The next most significant program expense is housing and development which totals \$1,290,549 and 13.4% of the total. Interest expense of \$211,500 represents only 2.2%. Interest expense was attributable to the GMA Lease Program to lease/purchase the City's public safety vehicles and public works equipment.

Business-Type Activities

The most significant business-type activity of the City is the Water and Sewer Department. The majority of its revenue was derived from user fees charged for product and service.

Cost of Program Services

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows, for governmental and business-type activities, the combined total cost of services and the combined net cost of services, that is, it identifies the cost of these services supported by tax revenue.

Although program revenues make up (41.0%) of the governmental revenues, the City is dependent upon tax revenues for governmental activities. The net cost of services amounts to \$4,395,422 which approximates 59.7% of the City's total tax receipts.

TABLE 3 – Governmental and Business Type Activities

	Total Cost of Services		Net Cost of Services	
	2005	2004	2005	2004
General government	\$ 1,115,440	\$ 1,160,759	\$ (551,308)	\$ (602,588)
Judicial	589,178	478,385	504,115	360,543
Public safety	5,496,987	5,062,070	(4,864,569)	(4,605,247)
Public works	957,095	954,545	1,722,991	2,079,804
Culture and recreation	-	-	30,817	70,127
Housing and development	1,290,549	1,185,628	(1,025,968)	(1,058,348)
Interest on long-term debt	211,500	131,923	(211,500)	(131,923)
Total governmental activities	9,660,749	8,973,310	(4,395,422)	(3,887,632)
Business-type activities	5,638,075	5,119,920	1,124,660	778,065
Total expenses	\$ 15,298,824	\$ 14,093,230	\$ (3,270,762)	\$ (3,109,567)

Governmental Fund Balance

At the end of the fiscal year 2005, the combined ending fund balances for the City's Governmental Funds were \$4,504,122. Of the total fund balance \$4,302,421 is unreserved/undesignated fund balance, which is available as working capital for current spending in accordance with the purposes of the specific funds. The remainder of fund balance is reserved to indicate that it is not available for new spending because it is committed for the following purposes: a) reserved for prepaids in the amount of \$170,447 and b) reserved for inventories in the amount of \$31,254.

The General Fund's fund balance for the fiscal year ending 2005 was \$2,375,668. The General Fund's 2005 fiscal year budget included an appropriation of fund balance in the amount of \$1,154,748 to adequately cover expenditures. The actual appropriation of fund balance used for the fiscal year 2005 was \$814,224, resulting in a positive variance of \$340,524. The fund balance of the City's Building Fund decreased by \$2,320,958 during the fiscal year to an ending fund balance of \$522,609. This is mainly due to the expenditures of the Law Enforcement Center, the funding for which was obtained through Certificates of Participation (COPS) in fiscal year 2004. Other Governmental Funds total fund balances are \$1,609,216. These funds include special revenue funds and capital project funds.

TABLE 4 – Governmental Fund Balance

	2005	2004
General Fund	\$ 2,375,668	\$ 2,854,285
Building Fund	522,609	2,843,567
Other Governmental Funds	1,605,845	1,013,948
Total	\$ 4,504,122	\$ 6,711,800

Proprietary Net Assets

At the end of fiscal year 2005, the combined net assets of the City's Proprietary Funds were \$13,655,017. The most significant event that took place in the Water and Sewer Fund was the beginning of stormwater improvements to the existing infrastructure for the prevention of flooding and treatment of stormwater runoff.

General Fund Budgeting Highlights

- The most significant budget fund is the General Fund. The City's budget is prepared according to Georgia law.
- The actual revenues of \$8,363,919 exceeded the final budgeted amount of \$8,358,928 by \$4,991. This difference was primarily due to an increase in revenues for fines and forfeitures.
- The actual budgeted expenditures of \$9,178,143 were less than the final budgeted amount of \$9,513,676 by \$335,533. This difference was primarily due to capital projects not being completed.

Capital Assets and Debt Administration

At the end of fiscal year 2005, the City had \$34,873,469 invested in capital assets which is an increase over FY2004 of \$7,356,598. Table 5 shows fiscal years 2004 and 2005 balances.

TABLE 5 – Capital Assets, Net of Accumulated Depreciation at July 31, 2005

	Governmental Activities		Business-type Activities		Total Activities	
	2005	2004	2005	2004	2005	2004
Land	\$ 1,153,840	\$ 1,153,840	\$ 990,199	\$ 990,199	\$ 2,144,039	\$ 2,144,039
Construction in progress	260,252	1,644,730	2,037,252	2,666,649	2,297,504	4,311,379
Buildings	6,569,366	2,555,423	-	-	6,569,366	2,555,423
Land improvements	30,624	-	-	-	30,624	-
Equipment	1,399,282	1,069,860	330,604	335,525	1,729,886	1,405,385
Infrastructure	6,219,523	3,898,327	15,882,527	13,202,318	22,102,050	17,100,645
Total	<u>\$ 15,632,887</u>	<u>\$ 10,322,180</u>	<u>\$ 19,240,582</u>	<u>\$ 17,194,691</u>	<u>\$ 34,873,469</u>	<u>\$ 27,516,871</u>

The primary increases occurred in the governmental activities with increases in infrastructure of \$2,321,196; buildings of \$4,013,943; and in business-type activities with increases in infrastructure of \$2,680,209.

Debt

The amount of outstanding debt is \$13,710,000 in Water and Sewerage Revenue Bonds to refinance the cost of a surface water supply, a water treatment and transmission facilities, a new gravity sewer line to connect the new Fayette Community Hospital to the sewer collection system and to finance a new Wastewater Plant Expansion. The Water and Sewer Fund has a loan to the State Revolving Loan Fund of the State of Georgia in the amount of \$2,202,916 on July 31, 2005. The amount of outstanding debt in governmental activities is \$4,575,000 in Certificates of Participation (COPS) with Georgia Municipal Association (GMA) to finance the cost of construction and furnishing of the new Law Enforcement Center. The General Fund has lease purchase agreements in the amount of \$815,377 as of July 31, 2005.

TABLE 6 – Outstanding Long-Term Liabilities
At July 31, 2005

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
Capital leases	\$ 815,377	\$ 902,215	\$ -	\$ -
Compensated absences	380,580	302,208	-	-
Certificates of participation:				
Certificates payable	4,575,000	4,575,000	-	-
Discount	(52,240)	(55,089)	-	-
Total Certificates of participation	4,522,760	4,519,911	-	-
Bonds payable:				
Revenue bonds	-	-	13,710,000	14,205,000
Deferred amounts:				
Premium	-	-	142,008	149,321
On refunding	-	-	(796,220)	(855,177)
Total bonds payable	-	-	13,055,788	13,499,144
Notes Payable	-	-	2,202,916	2,382,219
Total long-term liabilities	<u>\$ 5,718,717</u>	<u>\$ 5,724,334</u>	<u>\$ 15,258,704</u>	<u>\$ 15,881,363</u>

Current Issues

- **Economic Factors and Next Year's Budget and Rates**

Today, the population for the City of Fayetteville is estimated to be 14,395. This growth has been reflected in the City's General Fund revenues, which have increased from \$3,840,328 in 1994 to \$8,363,919 in 2005. The economic condition and outlook of the City remain strong as the area is predicted to have a sustained growth pattern through 2010.

We are beginning to see a much slower growth in revenues, particularly property taxes and franchise fees and building related fees. We have continued to experience above average growth in our local option sales taxes mainly as a result of the renegotiation of the percentage of distribution. While our revenues have begun to slow, our operating expenses have continued to increase, mainly due to providing competitive salaries and increasing health insurance benefits. However, it is important to note that our salaries and benefits are consistent with the averages for the metro Atlanta area as evidenced by the recent Atlanta Regional Commission (ARC) Compensation Study. Additionally, our debt service expenses have increased as a result of much needed equipment replacement and facility upgrades.

Staff has developed a Five-Year Plan that includes Workload Indicators and Trend Analysis to assist the City in long-range financial planning and forecasting. This plan is developed with input from each department and is updated annually to reflect any changing needs. This Plan is a very conservative forecast of the City's financial resources and departmental needs to maintain our existing service levels to the community. The Mayor and Council and staff will need to continue to closely evaluate the service and staffing levels on an ongoing basis to ensure that adequate personnel resources and financial resources are available to achieve the desired service levels.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, Lynn Robinson, Director of Finance, City of Fayetteville, 240 Glynn Street South, Fayetteville, Georgia 30214, 770-461-6029, or lrobinson@fayetteville-ga.gov.

BASIC FINANCIAL STATEMENTS

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF NET ASSETS JULY 31, 2005

ASSETS	Primary Government		
	Governmental Activities	Business-type Activities	Total
Cash and cash equivalents	\$ 3,517,174	\$ 228,941	\$ 3,746,115
Investments	551,664	-	551,664
Taxes receivable	710,933	-	710,933
Accounts receivable, net of allowances	239,776	457,233	697,009
Due from other governments	28,928	-	28,928
Internal balances	(98,691)	98,691	-
Due from primary government	-	-	-
Due from component unit	4,907	-	4,907
Inventories	31,254	336,522	367,776
Prepaid expenses	170,447	48,070	218,517
Restricted assets, cash and cash equivalents	87,098	8,690,011	8,777,109
Deferred charges, unamortized balance	185,804	356,371	542,175
Capital assets, non-depreciable	1,414,092	3,027,451	4,441,543
Capital assets, depreciable, net of accumulated depreciation	14,218,795	16,213,131	30,431,926
Total assets	21,062,181	29,456,421	50,518,602
LIABILITIES			
Accounts payable	209,051	316,808	525,859
Accrued liabilities	86,626	225,892	312,518
Deferred revenues	399,667	-	399,667
Due to primary government	-	-	-
Due to component unit	6,824	-	6,824
Liabilities payable from restricted assets	-	590,000	590,000
Capital leases due within one year	274,252	-	274,252
Capital leases due in more than one year	541,125	-	541,125
Compensated absences due within one year	190,290	-	190,290
Compensated absences due in more than one year	190,290	-	190,290
Certificates of participation due within one year	180,000	-	180,000
Certificates of participation due in more than one year	4,342,760	-	4,342,760
Notes payable due within one year	-	247,552	247,552
Notes payable due in more than one year	-	1,955,364	1,955,364
Bonds payable due in more than one year	-	12,465,788	12,465,788
Total liabilities	6,420,885	15,801,404	22,222,289
NET ASSETS			
Invested in capital assets, net of related debt	10,294,750	9,606,017	19,900,767
Restricted for debt service	87,098	7,253,854	7,340,952
Unrestricted	4,259,448	(3,204,854)	1,054,594
Total net assets	\$ 14,641,296	\$ 13,655,017	\$ 28,296,313

The accompanying notes are an integral part of these financial statements.

Component Units			
Downtown Development Authority		Main Street Tourism Association	
\$	119,982	\$	12,008
	-		-
	-		-
	25,000		980
	-		-
	-		-
	4,088		2,736
	-		-
	-		-
	2,157		40,625
	204,955		-
	73,281		-
	679,845		-
	2,563,857		-
	3,673,165		56,349
	3,132		26,470
	33,992		-
	-		72,675
	3,807		1,099
	-		-
	45,000		-
	-		-
	-		-
	-		-
	-		-
	-		-
	75,516		-
	681,557		-
	2,090,000		-
	2,933,004		100,244
	525,424		-
	-		-
	214,737		(43,895)
\$	740,161	\$	(43,895)

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JULY 31, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>
			<u>Contributions</u>	<u>Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 1,115,440	\$ 543,057	\$ 21,075	\$ -
Judicial	589,178	1,093,293	-	-
Public safety	5,496,987	469,591	62,827	100,000
Public works	957,095	391,703	5,804	2,282,579
Culture and recreation	-	30,817	-	-
Housing and development	1,290,549	58,369	171,497	34,715
Interest on long-term debt	211,500	-	-	-
Total governmental activities	<u>9,660,749</u>	<u>2,586,830</u>	<u>261,203</u>	<u>2,417,294</u>
Business-type activities:				
Water and sewer	5,040,537	3,741,066	-	2,057,053
Stormwater	90,529	450,192	-	-
Solid waste	507,009	514,424	-	-
Total business-type activities	<u>5,638,075</u>	<u>4,705,682</u>	<u>-</u>	<u>2,057,053</u>
Total primary government	<u>\$ 15,298,824</u>	<u>\$ 7,292,512</u>	<u>\$ 261,203</u>	<u>\$ 4,474,347</u>
Component units:				
Downtown Development Authority	\$ 372,783	\$ 112,828	\$ 243,747	\$ -
Main Street Tourism Association	379,403	191,754	201,648	-
Total component units	<u>\$ 752,186</u>	<u>\$ 304,582</u>	<u>\$ 445,395</u>	<u>\$ -</u>
General revenues:				
Property taxes				
Sales taxes				
Other taxes				
Unrestricted investment earnings				
Gain on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Assets				
Governmental Activities	Business-type Activities	Total	Component Units	
			Downtown Development Authority	Main Street Tourism Association
\$ (551,308)	\$ -	\$ (551,308)	\$ -	\$ -
504,115	-	504,115	-	-
(4,864,569)	-	(4,864,569)	-	-
1,722,991	-	1,722,991	-	-
30,817	-	30,817	-	-
(1,025,968)	-	(1,025,968)	-	-
(211,500)	-	(211,500)	-	-
(4,395,422)	-	(4,395,422)	-	-
-	757,582	757,582	-	-
-	359,663	359,663	-	-
-	7,415	7,415	-	-
-	1,124,660	1,124,660	-	-
(4,395,422)	1,124,660	(3,270,762)	-	-
-	-	-	(16,208)	-
-	-	-	-	13,999
-	-	-	(16,208)	13,999
2,111,885	-	2,111,885	-	-
2,384,936	-	2,384,936	-	-
2,860,975	-	2,860,975	-	-
102,383	202,529	304,912	8,955	1,693
41,791	-	41,791	40,000	-
24,999	(24,999)	-	-	-
7,526,969	177,530	7,704,499	48,955	1,693
3,131,547	1,302,190	4,433,737	32,747	15,692
11,509,749	12,352,827	23,862,576	707,414	(59,587)
\$ 14,641,296	\$ 13,655,017	\$ 28,296,313	\$ 740,161	\$ (43,895)

CITY OF FAYETTEVILLE, GEORGIA

BALANCE SHEET GOVERNMENTAL FUNDS JULY 31, 2005

ASSETS	General	Building Fund	Other Governmental Funds	Totals Governmental Funds
Cash and cash equivalents	\$ 1,445,717	\$ 320,446	\$ 1,751,011	\$ 3,517,174
Investments	551,664	-	-	551,664
Taxes receivable	504,901	-	206,032	710,933
Accounts receivable	239,776	-	-	239,776
Due from other governments	560	28,368	-	28,928
Due from other funds	118,097	168,402	34,395	320,894
Due from component unit	2,495	2,412	-	4,907
Inventories	31,254	-	-	31,254
Prepaid expenditures	170,447	-	-	170,447
Restricted assets	-	87,098	-	87,098
Total assets	<u>\$ 3,064,911</u>	<u>\$ 606,726</u>	<u>\$ 1,991,438</u>	<u>\$ 5,663,075</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 124,543	\$ 84,042	\$ 466	\$ 209,051
Accrued liabilities	56,270	-	-	56,270
Deferred revenues	467,223	-	-	467,223
Due to other funds	40,681	75	378,829	419,585
Due to component unit	526	-	6,298	6,824
Total liabilities	<u>689,243</u>	<u>84,117</u>	<u>385,593</u>	<u>1,158,953</u>
FUND BALANCES				
Fund balances:				
Reserved for:				
Prepaid expenditures	170,447	-	-	170,447
Inventories	31,254	-	-	31,254
Unreserved reported in:				
General fund	2,173,967	-	-	2,173,967
Special revenue funds	-	-	80,476	80,476
Capital project funds	-	522,609	1,525,369	2,047,978
Total fund balances	<u>2,375,668</u>	<u>522,609</u>	<u>1,605,845</u>	<u>4,504,122</u>
Total liabilities and fund balances	<u>\$ 3,064,911</u>	<u>\$ 606,726</u>	<u>\$ 1,991,438</u>	
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 15,632,887</p> <p>Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 67,556</p> <p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. (5,563,269)</p> <p>Net assets of governmental activities \$ 14,641,296</p>				

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2005

	General	Building Fund	Other Governmental Funds	Totals Governmental Funds
Revenues				
Taxes	\$ 6,579,096	\$ 458,700	\$ 299,324	\$ 7,337,120
Licenses and permits	479,681	-	-	479,681
Intergovernmental	61,827	34,715	-	96,542
Fines and forfeitures	1,093,293	-	7,249	1,100,542
Charges for services	14,065	-	-	14,065
Mainstreet	58,369	-	-	58,369
Impact fees	-	-	922,321	922,321
Contributions	-	271,497	6,804	278,301
Interest income	48,636	22,236	31,511	102,383
Other revenues	28,952	-	3,975	32,927
Total revenues	<u>8,363,919</u>	<u>787,148</u>	<u>1,271,184</u>	<u>10,422,251</u>
Expenditures				
Current:				
General government	1,029,781	-	-	1,029,781
Judicial	585,993	-	-	585,993
Public safety	5,607,661	-	37,868	5,645,529
Public works	928,637	-	-	928,637
Housing and development	775,702	-	73,561	849,263
Capital outlay:				
General government	-	60,432	-	60,432
Public safety	-	2,628,731	-	2,628,731
Public works	-	284,405	-	284,405
Housing and development	-	386,914	18,389	405,303
Debt Service:				
Principal	238,721	54,059	-	292,780
Interest	11,648	199,228	-	210,876
Total expenditures	<u>9,178,143</u>	<u>3,613,769</u>	<u>129,818</u>	<u>12,921,730</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(814,224)</u>	<u>(2,826,621)</u>	<u>1,141,366</u>	<u>(2,499,479)</u>

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2005

	<u>General</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Totals Governmental Funds</u>
Other financing sources (uses):				
Capital leases	\$ 205,942	\$ -	\$ -	\$ 205,942
Proceeds from sale of assets	60,860	-	-	60,860
Transfers in	68,805	505,663	-	574,468
Transfers out	<u>-</u>	<u>-</u>	<u>(549,469)</u>	<u>(549,469)</u>
Total other financing sources (uses)	<u>335,607</u>	<u>505,663</u>	<u>(549,469)</u>	<u>291,801</u>
 Net change in fund balance	 (478,617)	 (2,320,958)	 591,897	 (2,207,678)
 Fund balances, beginning of year	 <u>2,854,285</u>	 <u>2,843,567</u>	 <u>1,013,948</u>	 <u>6,711,800</u>
 Fund balances, end of year	 <u><u>\$ 2,375,668</u></u>	 <u><u>\$ 522,609</u></u>	 <u><u>\$ 1,605,845</u></u>	 <u><u>\$ 4,504,122</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED JULY 31, 2005

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (2,207,678)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	3,047,197
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.	2,263,510
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,676
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	86,838
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(78,996)
	<u>\$ 3,131,547</u>

The accompanying notes are an integral part of these financial statements.

**CITY OF FAYETTEVILLE, GEORGIA
GENERAL FUND**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2005**

	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 1,643,202	\$ 1,643,202	\$ 1,632,509	\$ (10,693)
Sales taxes	2,420,587	2,420,587	2,188,489	(232,098)
Other taxes	2,790,771	2,778,801	2,758,098	(20,703)
Licenses and permits	340,073	356,954	479,681	122,727
Intergovernmental	40,000	102,500	61,827	(40,673)
Fines and forfeitures	881,047	881,047	1,093,293	212,246
Charges for services	60,771	60,771	14,065	(46,706)
Mainstreet	67,000	67,000	58,369	(8,631)
Interest income	22,670	24,759	48,636	23,877
Other revenues	2,600	23,307	28,952	5,645
Total revenues	<u>8,268,721</u>	<u>8,358,928</u>	<u>8,363,919</u>	<u>4,991</u>
Expenditures:				
Current:				
General government:				
Mayor and council	125,489	125,489	136,295	(10,806)
Clerk of council	48,632	48,632	49,045	(413)
City manager	73,355	73,355	72,626	729
Financial administration	399,137	396,137	396,095	42
Law	128,400	138,665	184,583	(45,918)
Data processing	70,589	70,589	68,458	2,131
Human resources	41,767	41,767	41,404	363
Building and plant	80,626	84,626	81,275	3,351
Total general government	<u>967,995</u>	<u>979,260</u>	<u>1,029,781</u>	<u>(50,521)</u>
Judicial:				
Municipal court	<u>513,540</u>	<u>489,174</u>	<u>585,993</u>	<u>(96,819)</u>
Public safety:				
Police administration	288,344	288,344	281,612	6,732
Patrol	2,733,425	2,748,242	2,690,928	57,314
Police stations and buildings	79,053	79,053	74,046	5,007
Support services	314,720	338,822	281,095	57,727
Fire administration	234,667	245,967	224,585	21,382
Fire fighting	1,473,338	2,034,654	1,846,738	187,916
Fire prevention	161,722	175,122	173,140	1,982
Fire training	82,589	85,789	8,663	77,126
Fire station 91 and headquarters	-	2,900	2,884	16
Fire station 92	-	1,400	1,433	(33)
E911	22,991	22,991	22,537	454
Total public safety	<u>5,390,849</u>	<u>6,023,284</u>	<u>5,607,661</u>	<u>415,623</u>

(Continued)

CITY OF FAYETTEVILLE, GEORGIA
GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2005

	Budget			Variance With
	Original	Final	Actual	Final Budget
Public works:				
Public works administration	\$ 101,045	\$ 101,045	\$ 111,161	\$ (10,116)
Highways and streets	791,628	798,628	817,476	(18,848)
Total public works	892,673	899,673	928,637	(28,964)
Housing and development:				
Inspection	257,290	257,290	247,600	9,690
Planning and zoning	255,917	255,917	224,750	31,167
Engineering and development	90,119	119,854	86,501	33,353
Mainstreet	208,922	208,922	216,851	(7,929)
Total housing and development	812,248	841,983	775,702	66,281
Debt service:				
Principal	268,980	267,980	238,721	29,259
Interest	12,322	12,322	11,648	674
Total debt service	281,302	280,302	250,369	29,933
Total expenditures	8,858,607	9,513,676	9,178,143	335,533
Deficiency of revenues under expenditures	(589,886)	(1,154,748)	(814,224)	340,524
Other financing sources (uses):				
Capital leases	204,146	218,699	205,942	(12,757)
Proceeds from sale of assets	71,047	111,047	60,860	(50,187)
Transfers in	33,390	33,390	68,805	35,415
Transfers out	-	29,735	-	(29,735)
Total other financing sources (uses)	308,583	392,871	335,607	(57,264)
Net change in fund balance	(281,303)	(761,877)	(478,617)	283,260
Fund balances, beginning of year	2,854,285	2,854,285	2,854,285	-
Fund balances, end of year	\$ 2,572,982	\$ 2,092,408	\$ 2,375,668	\$ 283,260

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JULY 31, 2005

ASSETS	Major Enterprise Fund Water and Sewer Fund	Nonmajor Enterprise Fund Solid Waste Fund	Totals
CURRENT ASSETS			
Cash and cash equivalents	\$ 186,063	\$ 42,878	\$ 228,941
Accounts receivable, net of allowances	457,233	-	457,233
Due from other funds	186,979	43,874	230,853
Inventories	336,522	-	336,522
Prepaid expenses	48,070	-	48,070
Total current assets	1,214,867	86,752	1,301,619
NON-CURRENT ASSETS			
Restricted assets, cash and cash equivalents	8,690,011	-	8,690,011
Deferred charges, unamortized balance	356,371	-	356,371
Capital assets:			
Capital assets, non-depreciable	3,027,451	-	3,027,451
Capital assets, depreciable, net of accumulated depreciation	16,213,131	-	16,213,131
Total capital assets	19,240,582	-	19,240,582
Total non-current assets	28,286,964	-	28,286,964
Total assets	29,501,831	86,752	29,588,583
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	273,762	43,046	316,808
Accrued liabilities	73,395	-	73,395
Notes payable, current portion	247,552	-	247,552
Due to other funds	132,162	-	132,162
Accrued interest	152,497	-	152,497
Total current liabilities	879,368	43,046	922,414
PAYABLE FROM RESTRICTED ASSETS			
Revenue bonds payable, current portion	590,000	-	590,000
NON-CURRENT LIABILITIES			
Revenue bonds payable, net of current portion	12,465,788	-	12,465,788
Notes payable, net of current portion	1,955,364	-	1,955,364
Total non-current liabilities	14,421,152	-	14,421,152
Total liabilities	15,890,520	43,046	15,933,566

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF NET ASSETS PROPRIETARY FUNDS JULY 31, 2005

	<u>Major Enterprise Fund</u> <u>Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund</u> <u>Solid Waste Fund</u>	<u>Totals</u>
NET ASSETS			
Invested in capital assets, net of related debt	9,606,017	-	9,606,017
Restricted for debt service	7,253,854	-	7,253,854
Unrestricted	(3,248,560)	43,706	(3,204,854)
Total net assets	<u>\$ 13,611,311</u>	<u>\$ 43,706</u>	<u>\$ 13,655,017</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENSES AND

CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

FOR THE FISCAL YEAR ENDED JULY 31, 2005

	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Fund</u>	<u>Totals</u>
OPERATING REVENUES			
Charges for services:			
Water sales pledged as security for revenue bonds	\$ 2,212,619	\$ -	\$ 2,212,619
Sewer sales pledged as security for revenue bonds	1,528,208	-	1,528,208
Stormwater sales pledged as security for revenue bonds	450,192	-	450,192
Sanitation charges	-	514,424	514,424
Other fees and charges	239	-	239
Total operating revenues	<u>4,191,258</u>	<u>514,424</u>	<u>4,705,682</u>
OPERATING EXPENSES			
Personnel costs	1,664,320	-	1,664,320
Contracted services	751,622	507,009	1,258,631
Supplies	900,148	-	900,148
Other operating expenses	37,796	-	37,796
Depreciation	1,087,317	-	1,087,317
Amortization	69,997	-	69,997
Total operating expenses	<u>4,511,200</u>	<u>507,009</u>	<u>5,018,209</u>
Operating income (loss)	<u>(319,942)</u>	<u>7,415</u>	<u>(312,527)</u>
NON-OPERATING INCOME (EXPENSES)			
Interest income	201,135	1,394	202,529
Interest expense	(619,866)	-	(619,866)
Total non-operating income (expenses)	<u>(418,731)</u>	<u>1,394</u>	<u>(417,337)</u>
Income (loss) before contributions and transfers	(738,673)	8,809	(729,864)
CAPITAL CONTRIBUTIONS	2,057,053	-	2,057,053
TRANSFERS OUT	<u>(24,999)</u>	<u>-</u>	<u>(24,999)</u>
Change in net assets	1,293,381	8,809	1,302,190
NET ASSETS, beginning of year	<u>12,317,930</u>	<u>34,897</u>	<u>12,352,827</u>
NET ASSETS, end of year	<u>\$ 13,611,311</u>	<u>\$ 43,706</u>	<u>\$ 13,655,017</u>

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2005

	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Fund</u>	<u>Totals</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 4,198,739	\$ 512,607	\$ 4,711,346
Payments to suppliers and service providers	(1,923,108)	(505,345)	(2,428,453)
Payments to employees	(1,638,013)	-	(1,638,013)
Net cash provided by operating activities	<u>637,618</u>	<u>7,262</u>	<u>644,880</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(24,999)	-	(24,999)
Net cash used by noncapital financing activities	<u>(24,999)</u>	<u>-</u>	<u>(24,999)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchase of property and equipment	(1,538,694)	-	(1,538,694)
Principal paid on bonds	(495,000)	-	(495,000)
Principal paid on notes payable	(179,304)	-	(179,304)
Interest paid	(601,040)	-	(601,040)
Capital contributions	462,540	-	462,540
Net cash used by capital and related financing activities	<u>(2,351,498)</u>	<u>-</u>	<u>(2,351,498)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	201,135	1,394	202,529
Net cash provided by investing activities	<u>201,135</u>	<u>1,394</u>	<u>202,529</u>
Increase (decrease) in cash and cash equivalents	(1,537,744)	8,656	(1,529,088)
Cash and cash equivalents:			
Beginning of year (including \$10,221,674 in restricted cash in the Water and Sewer Fund)	10,413,818	34,222	10,448,040
End of year (including \$8,690,011 in restricted cash in the Water and Sewer Fund)	<u>\$ 8,876,074</u>	<u>\$ 42,878</u>	<u>\$ 8,918,952</u>
Classified as:			
Cash and cash equivalents	\$ 186,063	\$ 42,878	\$ 228,941
Restricted assets, cash and cash equivalents	8,690,011	-	8,690,011
	<u>\$ 8,876,074</u>	<u>\$ 42,878</u>	<u>\$ 8,918,952</u>

(Continued)

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2005

	<u>Major Enterprise Fund Water and Sewer Fund</u>	<u>Nonmajor Enterprise Fund Solid Waste Fund</u>	<u>Totals</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (319,942)	\$ 7,415	\$ (312,527)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	1,087,317	-	1,087,317
Amortization	69,997	-	69,997
Decrease in accounts receivable	45,277	-	45,277
Increase in inventories	(245,353)	-	(245,353)
Increase in due from other funds	(2,311)	(1,817)	(4,128)
Decrease in prepaid expenses	801	-	801
Increase in accrued liabilities	13,410	-	13,410
Increase (decrease) in accounts payable	(24,475)	1,664	(22,811)
Increase in due to other funds	12,897	-	12,897
	<u>637,618</u>	<u>7,262</u>	<u>644,880</u>
Net cash provided by operating activities	<u>\$ 637,618</u>	<u>\$ 7,262</u>	<u>\$ 644,880</u>
Noncash investing, capital, and financing activities:			
Contributions of capital assets from outside sources	\$ 1,594,513	\$ -	\$ 1,594,513

The accompanying notes are an integral part of these financial statements.

CITY OF FAYETTEVILLE, GEORGIA
NOTES TO FINANCIAL STATEMENTS
JULY 31, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Fayetteville, Georgia (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City operates under a Council/Manager form of government. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Fayetteville, Georgia (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationship with the City. In conformity with accounting principles generally accepted in the United States of America, as set forth in Governmental Accounting Standards Board Statement No. 14, the financial statements of the component units are discretely presented in the government-wide financial statements.

The City of Fayetteville Downtown Development Authority (the Downtown Development Authority) was organized to develop and promote commerce, industry and general welfare within the City. The City appoints the Downtown Development Authority's board members, provides the majority of funding for the Downtown Development Authority's operating budget, and has contractually obligated itself to use its taxing powers to guarantee repayment of principal and interest on certain revenue bonds issued by the Downtown Development Authority; therefore, the Downtown Development Authority is fiscally dependent on the City of Fayetteville. The Downtown Development Authority will be presented as a governmental fund type.

The Downtown Development Authority is reviewed and audited along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statement No. 14. However, separate financial statements are not prepared.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

The Fayetteville Main Street Tourism Association, Inc. (the Main Street Tourism Association) was organized to serve the needs and interests of tourism within the City of Fayetteville, and in particular, tourism within the Main Street District of Fayetteville. The City appoints the Main Street Tourism Association's board members and has the ability to impose its will on the operations of the Main Street Tourism Association. The Main Street Tourism Association will be presented as a proprietary fund type.

The Main Street Tourism Association is reviewed and audited along with the primary government financial statements in accordance with Governmental Accounting Standards Board Statement No. 14. However, separate financial statements are not prepared.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement* focus and the *accrual basis of* accounting, as are the proprietary fund and the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement* focus and the *modified accrual basis of* accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, intergovernmental grants, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The format of the fund financial statements has been modified by GASB Statement No. 34. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 also requires, as required supplementary information, Management's Discussion and Analysis which includes an analytical overview of the City's financial activity.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major governmental fund:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Building Fund** is used to account for the accumulation and expenditures of resources for various public improvements which are funded by a percentage of property taxes.

The City reports the following major proprietary fund:

The **Water and Sewer Fund** accounts for the operation of the water and sewerage system including all revenues from sources applicable to these operations and all expenses of the operation.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and the other functions of the government. Elimination of these charges would distort the direct costs reported for the various functions concerned.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Cash and Deposits

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in: obligations of the United States, the State of Georgia and other political subdivisions of the State of Georgia, and other states; prime banker's acceptances; repurchase agreements; and the Georgia local government investment pool (Georgia Fund 1). Georgia Fund 1, created by OCGA 36-83-8, is a stable net asset value investment pool which follows Standard and Poor's criteria for AAAm rated money market funds. However, Georgia Fund 1 operates in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940 and is considered to be a 2a-7 like pool. The pool is not registered with the SEC as an investment company. The pool's primary objectives are safety of capital, investment income, liquidity and diversification while maintaining principal (\$1.00 per share value). Net asset value is calculated weekly to ensure stability. The pool distributes earnings (net of management fees) on a monthly basis and determines participant's shares sold and redeemed based on a \$1.00 per share. The fair value of the City's position in the pool is the same as the value of pool shares (\$1 per share value).

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

F. Inventories

Inventories are valued at cost, which approximates market, using the first in, first out (FIFO) method. The consumption method is used to account for inventories. Under the consumption method, inventory items are recognized as expenditures when used.

G. Prepaid Expenditures/Expenses

Payments made to vendors for services that will benefit periods beyond July 31, 2005, are recorded as prepaid items.

H. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Capital Assets (Continued)

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Land improvements	50
Buildings	40
Public domain infrastructure	50-100
System infrastructure	10-40
Equipment	3-30

J. Compensated Absences

Accumulated sick pay benefits have not been recorded as a liability because these benefits are paid upon the illness of an employee and the amount of such payments cannot be reasonably estimated. Accumulated unpaid vacation costs are accrued when incurred in the government-wide and proprietary financial statements.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight-line method, which approximates the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. The gain on defeasance of bonds is presented as an addition to the face amount of bonds payable and is being amortized over the life of the bonds through interest expense.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$5,563,269 difference are as follows:

Accrued interest payable	\$ (30,356)
Capital leases payable	(815,377)
Compensated absences payable	(380,580)
Certificates of participation	(4,575,000)
Less: Deferred charge for issuance costs (to be amortized over life of debt)	185,804
Less: Issuance discount (to be amortized as interest expense)	52,240
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u>\$ (5,563,269)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$3,047,197 difference are as follows:

Capital outlay	\$ 3,602,836
Depreciation expense	<u>(555,639)</u>
Net adjustment to increase <i>net changes in fund balance - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 3,047,197</u></u>

Another element of the reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.” The details of this \$2,263,510 difference are as follows:

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	\$ 2,282,579
In the statement of activities, only the <i>gain</i> on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	<u>(19,069)</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ 2,263,510</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (CONTINUED)

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of the reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. ”Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$86,838 difference are as follows:

Debt issued or incurred:	
Proceeds from capital leases	\$ (205,942)
Principal repayments:	
Capital leases	<u>292,780</u>
Net adjustment to increase <i>net changes in fund balances - total governmental</i>	
funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 86,838</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$78,996 difference are as follows:

Compensated absences	\$ (78,372)
Accrued interest	12,360
Amortization of issuance costs	(10,135)
Amortization of discounts on certificates of participation	<u>(2,849)</u>
Net adjustment to decrease <i>net changes in fund balances - total</i>	
<i>governmental funds</i> to arrive at <i>changes in net assets of</i>	
<i>governmental activities</i>	<u>\$ (78,996)</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE - BUDGETS

Budgetary Data. Budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, special revenue funds, and capital projects funds. Enterprise fund budgets are prepared and utilized as a management tool to assess the operations of the enterprise funds. All annual appropriations lapse at fiscal year end.

Prior to July 31, the Director of Finance with the City Manager receives budget requests from the various departments and their department chairmen. A budget is then formulated which the City Manager and Mayor present to full council sixty (60) days prior to the beginning of each fiscal year. After review by full council, the budget is published for public hearing. A public hearing is held and the budget is legally adopted by the City Council on the second council meeting in July before the new year begins on August 1. The legal level of budgetary control is the department level.

The appropriated budget is prepared by fund, function, and department. Transfers of appropriations within a department budget or within a nondepartmental expenditure category can be authorized by the Director of Finance, except expenditures for additional personnel. Increases in appropriations in a departmental budget or in a nondepartmental expenditure category, as well as increases in appropriations for employing additional personnel, require approval of the governing body in the form of amendments to the budget resolution. The council made several immaterial supplemental budgetary appropriations throughout the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year. At July 31, 2005, there were no outstanding encumbrances.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. LEGAL COMPLIANCE – BUDGETS (CONTINUED)

Excess Expenditures Over Appropriations. For the year ended July 31, 2005, expenditures exceeded budget, as follows:

<u>Fund or Department</u>	<u>Excess</u>
General Fund:	
Mayor and council	\$ 10,806
Clerk of council	413
Law	45,918
Fire station 92	33
Public works administration	10,116
Highways and streets	18,848
Mainstreet	7,929
Greenspace Fund	3,975
Hotel/Motel Tax Fund	185

These overexpenditures were funded by underexpenditures in other departments in the case of the General Fund, fund balance in the Greenspace Fund, and greater than anticipated revenues in the Hotel/Motel Tax Fund.

NOTE 4. DEPOSITS AND INVESTMENTS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia. As of July 31, 2005 the City's investment in Georgia Fund 1 was rated AAAM by Standard & Poor's.

At July 31, 2005, the City had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Georgia Fund 1	24 day weighted average	\$ 551,664

Interest rate risk. The Government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. DEPOSITS AND INVESTMENTS (CONTINUED)

Custodial credit risk – deposits. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities.

NOTE 5. RECEIVABLES

Receivables at July 31, 2005, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor and Other Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$ 504,901	\$ -	\$ 206,032	\$ 710,933
Accounts	<u>262,001</u>	<u>486,893</u>	<u>-</u>	<u>748,894</u>
Gross receivables	766,902	486,893	206,032	1,459,827
Less allowance for uncollectibles	<u>(22,225)</u>	<u>(29,660)</u>	<u>-</u>	<u>(51,885)</u>
Net total receivables	<u><u>\$ 744,677</u></u>	<u><u>\$ 457,233</u></u>	<u><u>\$ 206,032</u></u>	<u><u>\$ 1,407,942</u></u>

NOTE 6. PROPERTY TAXES

The City receives its property tax revenue from Fayette County, which assesses, levies, and collects the taxes, including real and personal property, mobile homes, and motor vehicles. Tax bills were levied to taxpayers on October 15, 2004, and were due and payable on December 15, 2004. All unpaid taxes became delinquent as of December 16, 2004. Property taxes attached as an enforceable lien on property as of February 16, 2005. Receivables are recorded when taxes are levied.

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS

Capital asset activity for the fiscal year ended July 31, 2005, is as follows:

A. Primary Government

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 1,153,840	\$ -	\$ -	\$ -	\$ 1,153,840
Construction in Progress	1,644,730	2,880,026	-	(4,264,504)	260,252
Total	<u>2,798,570</u>	<u>2,880,026</u>	<u>-</u>	<u>(4,264,504)</u>	<u>1,414,092</u>
Capital assets, being depreciated:					
Buildings	3,385,531	-	-	4,107,312	7,492,843
Land Improvements	-	-	-	30,675	30,675
Infrastructure	3,939,691	2,282,578	-	83,591	6,305,860
Equipment	3,500,950	722,811	(315,441)	34,072	3,942,392
Total	<u>10,826,172</u>	<u>3,005,389</u>	<u>(315,441)</u>	<u>4,255,650</u>	<u>17,771,770</u>
Less accumulated depreciation for:					
Buildings	830,108	93,369	-	-	923,477
Land Improvements	-	51	-	-	51
Infrastructure	41,364	44,973	-	-	86,337
Equipment	2,431,090	417,246	(296,372)	(8,854)	2,543,110
Total	<u>3,302,562</u>	<u>555,639</u>	<u>(296,372)</u>	<u>(8,854)</u>	<u>3,552,975</u>
Total assets, being depreciated, net	<u>7,523,610</u>	<u>2,449,750</u>	<u>(19,069)</u>	<u>4,264,504</u>	<u>14,218,795</u>
Governmental activities capital assets, net	<u>\$ 10,322,180</u>	<u>\$ 5,329,776</u>	<u>\$ (19,069)</u>	<u>\$ -</u>	<u>\$ 15,632,887</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 990,199	\$ -	\$ -	\$ -	\$ 990,199
Construction in Progress	2,666,649	1,424,191	-	(2,053,588)	2,037,252
Total	<u>3,656,848</u>	<u>1,424,191</u>	<u>-</u>	<u>(2,053,588)</u>	<u>3,027,451</u>
Capital assets, being depreciated:					
Water and plant distribution system	9,610,191	426,401	-	1,262,290	11,298,882
Sewer plant and extensions	14,687,238	1,153,949	-	746,245	16,587,432
Stormwater system	-	-	-	45,053	45,053
Equipment	1,135,425	128,667	-	8,854	1,272,946
Total	<u>25,432,854</u>	<u>1,709,017</u>	<u>-</u>	<u>2,062,442</u>	<u>29,204,313</u>
Less accumulated depreciation for:					
Water and plant distribution system	4,091,686	409,018	-	-	4,500,704
Sewer plant and extensions	7,003,425	544,523	-	-	7,547,948
Stormwater system	-	188	-	-	188
Equipment	799,900	133,588	-	8,854	942,342
Total	<u>11,895,011</u>	<u>1,087,317</u>	<u>-</u>	<u>8,854</u>	<u>12,991,182</u>
Total assets, being depreciated, net	<u>13,537,843</u>	<u>621,700</u>	<u>-</u>	<u>2,053,588</u>	<u>16,213,131</u>
Business-type activities capital assets, net	<u>\$ 17,194,691</u>	<u>\$ 2,045,891</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,240,582</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 48,937
Public safety	370,603
Public works	97,381
Housing and development	<u>38,718</u>

Total depreciation expense - governmental activities \$ 555,639

Business-type activities:

Water and sewer	<u>\$ 1,087,317</u>
-----------------	---------------------

Total depreciation expense - business-type activities \$ 1,087,317

NOTES TO FINANCIAL STATEMENTS

NOTE 7. CAPITAL ASSETS (CONTINUED)

B. Discretely Presented Component Unit – Downtown Development Authority

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 588,566	\$ -	\$ -	\$ -	\$ 588,566
Historical treasures	91,279	-	-	-	91,279
Construction in Progress	32,954	155,393	-	(188,347)	-
Total	712,799	155,393	-	(188,347)	679,845
Capital assets, being depreciated:					
Land Improvements	44,189	-	-	-	44,189
Buildings	2,533,452	-	-	200,575	2,734,027
Equipment	12,228	-	-	(12,228)	-
Total	2,589,869	-	-	188,347	2,778,216
Less accumulated depreciation for:					
Land Improvements	1,324	3,643	-	204	5,171
Buildings	145,852	63,336	-	-	209,188
Equipment	204	-	-	(204)	-
Total	147,380	66,979	-	-	214,359
Total assets, being depreciated, net	2,442,489	(66,979)	-	188,347	2,563,857
Capital assets, net	\$ 3,155,288	\$ 88,414	\$ -	\$ -	\$ 3,243,702

NOTE 8. LONG-TERM DEBT

Revenue Bonds. During the year ended July 31, 2004, the City issued revenue bonds in the amount of \$14,205,000. The bond proceeds were used to refund the series 1996 revenue bonds. Revenue bonds outstanding at July 31, 2005, are as follows:

Purpose	Interest Rate	Term	Due Date	Original Amount	Outstanding Amount
Water & Sewer Fund	2.00 - 5.00%	21 years	2024	\$ 14,205,000	\$ 13,710,000
	Plus unamortized premium				142,008
	Less unamortized deferred refunding loss				(796,220)
					<u>\$ 13,055,788</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued). Debt service requirements to maturity on the revenue bonds are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 590,000	\$ 517,431
2007	610,000	506,889
2008	620,000	494,279
2009	640,000	480,089
2010	655,000	466,093
2011-2015	3,375,000	1,932,461
2016-2020	3,205,000	1,341,342
2021-2025	4,015,000	680,625
Total	<u>\$ 13,710,000</u>	<u>\$ 6,419,209</u>

The Downtown Development Authority issued revenue bonds during the year ended July 31, 2002 in the amount of \$2,220,000. The purpose of the bonds is to fund various capital outlay projects. The principal and interest on the bonds is payable from and secured by certain payments made to the Downtown Development Authority by the City pursuant to a contract between the Downtown Development Authority and the City. To fulfill its obligations under the contract, the City has agreed that it will, to the extent necessary, levy an annual tax on all taxable property located within the boundaries of the City, at such rate or rates, limited to 3 mills, as may be necessary to make the payments to the Downtown Development Authority for its services as called for by the contract. Revenue bonds outstanding at July 31, 2005, are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Downtown Development Authority	4.55 - 4.95%	20 years	2021	\$ 2,220,000	<u>\$ 2,135,000</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Revenue Bonds (Continued). Downtown Development Authority revenue bond debt service requirements to maturity are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 45,000	\$ 102,036
2007	45,000	99,257
2008	50,000	96,195
2009	50,000	96,195
2010	55,000	96,729
2011-2015	415,000	424,148
2016-2020	1,005,000	241,540
2021-2022	<u>470,000</u>	<u>23,513</u>
Total	<u>\$ 2,135,000</u>	<u>\$ 1,179,613</u>

Notes Payable. The Water and Sewer Fund has also incurred debt to the Georgia Environmental Facilities Authority for various water and sewer system projects. Notes payable outstanding is as follows at July 31, 2005:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
4.00%	20 years	2013	\$ 4,555,525	<u>\$ 2,202,916</u>

The annual requirements to pay the notes outstanding at July 31, 2005, are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 247,552	84,434
2007	257,603	74,383
2008	268,063	63,923
2009	278,947	53,038
2010	290,274	41,712
2011-2013	<u>860,477</u>	<u>50,485</u>
Total	<u>\$ 2,202,916</u>	<u>\$ 367,975</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

The Downtown Development Authority has incurred debt to a financial institution to be used on specifically identified Main Street projects. In connection with this debt, a contract has been entered into between the Downtown Development Authority and the City of Fayetteville whereby the City is to levy an annual tax on all taxable property located within the boundaries of the City in order to produce revenues sufficient to pay the debt service on the Downtown Development Authority debt. In the event that payments of this tax by the City to the Downtown Development Authority each year are not sufficient to pay the debt service payment on the debt, the City will be liable for any difference. The note is as follows at July 31, 2005:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
4.24%	15 years	2013	\$ 1,200,000	<u>\$ 757,073</u>

The annual requirements to pay the Downtown Development Authority's notes outstanding are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 75,516	\$ 32,619
2007	78,718	29,349
2008	82,056	25,941
2009	85,535	22,388
2010	89,161	18,684
2011-2014	<u>346,087</u>	<u>34,660</u>
Total	<u>\$ 757,073</u>	<u>\$ 163,641</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Certificates of Participation. During the year ended July 31, 2005, the City entered into lease-purchase agreements with the Georgia Municipal Association for the construction of a new law enforcement center issuing certificates of participation in the amount of \$4,575,000. Certificates of participation outstanding at July 31, 2005, are as follows:

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
2.00 - 4.50%	20 years	2023	\$ 4,575,000	\$ 4,575,000
		Less unamortized discount		<u>(52,240)</u>
				<u>\$ 4,522,760</u>

Annual debt service requirements on the certificates of participation are as follows:

<u>Year Ending July 31,</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 180,000	\$ 162,576
2007	185,000	158,926
2008	190,000	155,081
2009	195,000	150,698
2010	200,000	145,609
2011-2015	1,085,000	629,583
2016-2020	1,300,000	409,295
2021-2024	<u>1,240,000</u>	<u>112,803</u>
Total	<u>\$ 4,575,000</u>	<u>\$ 1,924,571</u>

Capital Leases. The City has entered into lease agreements as lessee for financing the acquisition of various items of equipment. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception.

The following is an analysis of leased assets under capital leases as of July 31, 2005:

	<u>Governmental Activities</u>
Equipment	<u>\$ 1,339,121</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

Capital leases (Continued). The City's total capital lease debt service requirements to maturity are as follows:

<u>Year Ending July 31,</u>	
2006	\$ 301,416
2007	195,831
2008	132,630
2009	87,558
2010	85,858
2011	<u>85,858</u>
Total minimum lease payments	889,151
Less amount representing interest	<u>73,774</u>
Present value of future minimum lease payments	<u><u>\$ 815,377</u></u>

Long-term liability activity for the year ended July 31, 2005, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases	\$ 902,215	\$ 205,942	\$ (292,780)	\$ 815,377	\$ 274,252
Compensated absences	302,208	419,188	(340,816)	380,580	190,290
Certificates of participation:					
Certificates payable	4,575,000	-	-	4,575,000	180,000
Discount	<u>(55,089)</u>	<u>-</u>	<u>2,849</u>	<u>(52,240)</u>	<u>-</u>
Total certificates of participation	<u>4,519,911</u>	<u>-</u>	<u>2,849</u>	<u>4,522,760</u>	<u>180,000</u>
Governmental activity					
Long-term liabilities	<u><u>\$ 5,724,334</u></u>	<u><u>\$ 625,130</u></u>	<u><u>\$ (630,747)</u></u>	<u><u>\$ 5,718,717</u></u>	<u><u>\$ 644,542</u></u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 14,205,000	\$ -	\$ (495,000)	\$ 13,710,000	\$ 590,000
Deferred amounts:					
Premium	149,321	-	(7,313)	142,008	-
Deferred loss on refunding	<u>(855,177)</u>	<u>-</u>	<u>58,957</u>	<u>(796,220)</u>	<u>-</u>
Total bonds payable	<u>13,499,144</u>	<u>-</u>	<u>(443,356)</u>	<u>13,055,788</u>	<u>590,000</u>
Notes payable	<u>2,382,219</u>	<u>-</u>	<u>(179,303)</u>	<u>2,202,916</u>	<u>247,552</u>
Business-type activity					
Long-term liabilities	<u><u>\$ 15,881,363</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (622,659)</u></u>	<u><u>\$ 15,258,704</u></u>	<u><u>\$ 837,552</u></u>

For governmental activities, compensated absences are generally liquidated by the General Fund.

NOTES TO FINANCIAL STATEMENTS

NOTE 8. LONG-TERM DEBT (CONTINUED)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Downtown Development Authority:					
Revenue bonds	\$ 2,180,000	\$ -	\$ (45,000)	\$ 2,135,000	\$ 45,000
Notes payable	<u>829,517</u>	<u>-</u>	<u>(72,444)</u>	<u>757,073</u>	<u>75,516</u>
Downtown Development Authority Long-term liabilities	<u>\$ 3,009,517</u>	<u>\$ -</u>	<u>\$ (117,444)</u>	<u>\$ 2,892,073</u>	<u>\$ 120,516</u>

Prior Year Defeasance of Debt. During the year ended July 31, 2004, the City defeased certain water and sewer bonds by placing part of the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. On July 31, 2005, the outstanding amount of bonds considered defeased in the current year is \$6,410,000. Additionally, in prior years the City defeased certain water and sewer bonds. On July 31, 2005, the outstanding amount of bonds considered defeased in prior years was \$1,450,100.

NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of July 31, 2005, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>				<u>Total</u>
	<u>General Fund</u>	<u>Building Fund</u>	<u>Water and Sewer Fund</u>	<u>Nonmajor governmental funds</u>	
General Fund	\$ -	\$ 75	\$ 88,288	\$ 29,734	\$ 118,097
Building Fund	-	-	-	168,402	168,402
Water and Sewer Fund	6,286	-	-	180,693	186,979
Nonmajor governmental funds	34,395	-	-	-	34,395
Nonmajor business-type funds	<u>-</u>	<u>-</u>	<u>43,874</u>	<u>-</u>	<u>43,874</u>
Total	<u>\$ 40,681</u>	<u>\$ 75</u>	<u>\$ 132,162</u>	<u>\$ 378,829</u>	<u>\$ 551,747</u>

NOTES TO FINANCIAL STATEMENTS

NOTE 9. INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS (CONTINUED)

These balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund transfers:

Transfers In	Transfers Out		Total
	Water and Sewer Fund	Nonmajor governmental funds	
General Fund	\$ -	\$ 68,805	\$ 68,805
Building Fund	24,999	480,664	505,663
Total	\$ 24,999	\$ 549,469	\$ 574,468

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that the statute or budget requires to expend them, and (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 10. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the ten (10) county Atlanta area, is a member of the Atlanta Regional Commission (Regional Development Center - RDC) and is required to pay annual dues thereto. During its fiscal year ended July 31, 2005, the City's membership dues were paid by Fayette County, Georgia. The City did not pay any annual dues. Membership in an RDC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the RDC in Georgia. The RDC Board membership includes the chief elected official of each county and municipality of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of an RDC. Separate financial statements may be obtained from:

Atlanta Regional Commission
3715 Northside Parkway
200 Northcreek Suite 300
Atlanta, Georgia 30327

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN

Plan Description

The City's defined benefit pension plan, City of Fayetteville Retirement Plan, provides retirement, disability, and death benefits to plan members and beneficiaries. The City of Fayetteville Retirement Plan is affiliated with the Georgia Municipal Employees Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. The benefit provisions and all other requirements are established by City ordinance. GMEBS issues a publicly available financial report that includes financial statements and required supplementary information for the City of Fayetteville Retirement Plan. That report may be obtained by writing to Georgia Municipal Association, Employee Benefit Section, 201 Pryor Street, SW, Atlanta, Georgia 30303.

Funding Policy

The funding policy for the City of Fayetteville Retirement Plan is to contribute an actuarially determined amount equal to the recommended contribution each year. The City makes all contributions to the City of Fayetteville Retirement Plan. The City is required to contribute at an actuarially determined rate; the current rate is 10.9% of annual covered payroll.

Annual Pension Cost

For the year ended July 31, 2005, the City's annual pension cost was \$508,704 for the City of Fayetteville Retirement Plan. The City's recommended contribution for the period October 2003, through September 2004, is \$527,869. The difference between the City's actual contribution and the required contribution is due to the three month variance between the City's fiscal year and the contribution period. The recommended contribution was determined as part of the September 1, 2003 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8.0% investment rate of return, (b) projected salary increases for inflation of 5.0% per year and for merit or seniority of .5% per year, and (c) no postretirement benefit increases or cost of living adjustments. The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981, and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions, and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods, if applicable, are closed for this plan year. The method for determining the actuarial value of assets is part of GMEBS actuarial funding policy. It produces an adjusted actuarial value of assets. The smoothing technique gradually incorporates investment performance that exceeds or falls short of the expected return of 8%, which is the valuation's investment return assumption.

NOTES TO FINANCIAL STATEMENTS

NOTE 11. DEFINED BENEFIT PENSION PLAN (CONTINUED)

Trend Information

Trend information which gives an indication of the progress made in accumulating sufficient assets to pay benefits when due, is presented below.

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost</u>	<u>Percentage of Annual Pension Cost Contributed</u>	<u>Net Pension Obligation</u>
7/31/2002	382,717	100%	\$ -
7/31/2003	451,207	100%	-
7/31/2004	527,869	100%	-

REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll</u>
9/1/02	3,362,458	4,272,267	909,809	78.7%	3,879,853	23.4%
9/1/03	3,805,738	5,002,350	1,196,612	76.1%	4,383,973	27.3%
9/1/04	4,336,420	5,684,841	1,348,421	76.3%	4,858,897	27.8%

NOTE 12. DEFINED CONTRIBUTION PENSION PLAN

The City participates in the Georgia Municipal Association 401(a) Defined Contribution Plan (the Plan) which is administered by the Georgia Municipal Association through their service manager, CitiStreet. The Plan provides retirement benefits to plan participants and beneficiaries. Plan provisions and contribution requirements are established and may be amended by the City. Employees are not required to contribute to the Plan. The City contributes an amount equal to 50% of the amount contributed by participants to the City's deferred compensation plan, except that the City shall not match in excess of 6% of the participant's annual compensation. The City's contribution for each employee is 100% vested after five (5) years of continuous service. For the fiscal year ending July 31, 2005, the City's contribution to the Plan was \$74,596.

NOTES TO FINANCIAL STATEMENTS

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to: torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member City contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims in the past three years have not exceeded the coverages.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is involved in several pending lawsuits. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

NOTES TO FINANCIAL STATEMENTS

NOTE 14. COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 15. HOTEL/MOTEL LODGING TAX

The City has levied a 5% lodging tax. The Official Code of Georgia Annotated 48-13-50 requires that all lodging taxes levied of 5% or more be expended or obligated contractually for the promotion of tourism, conventions, or trade shows. For the fiscal year ended July 31, 2005, the County collected \$55,648 of hotel/motel taxes. Management represents that \$55,648, or 100%, of the lodging tax received during the year ended July 31, 2005, was used for the promotion of tourism.

NOTE 16. EXCISE TAXES ON RENTAL MOTOR VEHICLES

Under the provisions of the Official Code of Georgia Annotated Section 48-13-93, the City has imposed and collected an excise tax on rental motor vehicles. The Code section requires the City to expend taxes collected for the purpose of promoting tourism, conventions, trade shows, etc., and promoting the City and business therein. During the year ended July 31, 2005, the City transferred all motor vehicle excise taxes to the Downtown Development Authority, where it was used for the promotion of tourism. The following schedule represents the revenue and expenditures pertaining to the tax for the year ended July 31, 2005:

Revenue	\$47,327
Expenditures	\$47,327

NOTE 17. SUBSEQUENT EVENT

During January 2005, the City entered into a note payable with the Georgia Environmental Facilities Authority for various water and sewer system projects in the amount of \$8,089,744.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Greenspace Fund – This fund is used to account for the revenues received from the State of Georgia for the Greenspace Project.

Confiscated Assets Fund – This fund is used to account for cash received either as a result of a cash confiscation or from the sale of capital assets acquired from a drug raid.

Hotel/Motel Tax Fund – This fund is used to account for hotel/motel taxes collected.

Cemetery Fund – This fund is used to account for revenues earned from a trust set up for cemetery improvements.

Vehicle Excise Tax Fund – This fund is used to account for revenues from an excise tax on rental motor vehicles, which must be used for the promotion of recreation, tourism and commerce and for the construction or repair of related facilities.

Capital Projects Funds

Impact Fee Fund – This fund is used to record capital projects activity funded by development impact fees.

Special Purpose Local Option Sales Tax Fund (SPLOST) – This fund accounts for expenditures relating to renovation of existing City buildings, recreation projects and construction of roads. Funding is provided by City collected special purpose sales taxes.

CITY OF FAYETTEVILLE, GEORGIA

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JULY 31, 2005

	Special Revenue Funds			
	Greenspace Fund	Confiscated Assets Fund	Hotel/Motel Tax Fund	Cemetery Fund
ASSETS				
Cash and cash equivalents	\$ -	\$ 53,381	\$ 63	\$ 27,498
Taxes receivable	-	-	5,524	-
Due from other funds	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 53,381</u>	<u>\$ 5,587</u>	<u>\$ 27,498</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ 466	\$ -	\$ -
Due to other funds	-	-	3,314	-
Due to component unit	-	-	2,210	-
Total liabilities	<u>-</u>	<u>466</u>	<u>5,524</u>	<u>-</u>
FUND BALANCES				
Unreserved, undesignated	-	52,915	63	27,498
Total fund balances	<u>-</u>	<u>52,915</u>	<u>63</u>	<u>27,498</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 53,381</u>	<u>\$ 5,587</u>	<u>\$ 27,498</u>

	Capital Projects Fund		Total Nonmajor Governmental Funds
Vehicle Excise Tax Fund	Impact Fee Fund	SPLOST Fund	
\$ 27	\$ 1,670,042	\$ -	\$ 1,751,011
4,061	-	196,447	206,032
-	34,395	-	34,395
<u>\$ 4,088</u>	<u>\$ 1,704,437</u>	<u>\$ 196,447</u>	<u>\$ 1,991,438</u>
\$ -	\$ -	\$ -	\$ 466
-	375,515	-	378,829
4,088	-	-	6,298
<u>4,088</u>	<u>375,515</u>	<u>-</u>	<u>385,593</u>
-	1,328,922	196,447	1,605,845
-	1,328,922	196,447	1,605,845
<u>\$ 4,088</u>	<u>\$ 1,704,437</u>	<u>\$ 196,447</u>	<u>\$ 1,991,438</u>

CITY OF FAYETTEVILLE, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED JULY 31, 2005

	Special Revenue Funds			
	Greenspace Fund	Confiscated Assets Fund	Hotel/Motel Tax Fund	Cemetery Fund
Revenues:				
Sales taxes	\$ -	\$ -	\$ -	\$ -
Other taxes	-	-	55,648	-
Fines and forfeitures	-	7,249	-	-
Impact fees	-	-	-	-
Contributions	-	1,000	-	5,804
Interest income	19	1,501	37	663
Miscellaneous income	-	-	-	-
Total revenues	<u>19</u>	<u>9,750</u>	<u>55,685</u>	<u>6,467</u>
Expenditures:				
Current:				
Public safety	-	37,868	-	-
Housing and development	3,975	-	22,259	-
Capital outlay:				
Housing and development	-	-	-	-
Total expenditures	<u>3,975</u>	<u>37,868</u>	<u>22,259</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,956)</u>	<u>(28,118)</u>	<u>33,426</u>	<u>6,467</u>
Other financing uses:				
Transfers out	-	-	(33,389)	(9,057)
Total other financing uses	<u>-</u>	<u>-</u>	<u>(33,389)</u>	<u>(9,057)</u>
Net change in fund balances	(3,956)	(28,118)	37	(2,590)
Fund balances, beginning of year	<u>3,956</u>	<u>81,033</u>	<u>26</u>	<u>30,088</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ 52,915</u>	<u>\$ 63</u>	<u>\$ 27,498</u>

	Capital Projects Fund		Total Nonmajor Governmental Funds
Vehicle Excise Tax Fund	Impact Fee Fund	SPLOST Fund	
\$ -	\$ -	\$ 196,447	\$ 196,447
47,229	-	-	102,877
-	-	-	7,249
-	922,321	-	922,321
-	-	-	6,804
98	29,193	-	31,511
-	3,975	-	3,975
47,327	955,489	196,447	1,271,184
-	-	-	37,868
47,327	-	-	73,561
-	18,389	-	18,389
47,327	18,389	-	129,818
-	937,100	196,447	1,141,366
-	(507,023)	-	(549,469)
-	(507,023)	-	(549,469)
-	430,077	196,447	591,897
-	898,845	-	1,013,948
\$ -	\$ 1,328,922	\$ 196,447	\$ 1,605,845

CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2005

	Greenspace Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Interest income	-	-	19	19
Total revenues	-	-	19	19
Expenditures:				
Current:				
Public safety	-	-	-	-
Housing and development	-	-	3,975	(3,975)
Total expenditures	-	-	3,975	(3,975)
Excess (deficiency) of revenues over expenditures	-	-	(3,956)	(3,956)
Other financing uses:				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net changes in fund balance	-	-	(3,956)	(3,956)
Fund balances, beginning of year	3,956	3,956	3,956	-
Fund balances, end of year	\$ 3,956	\$ 3,956	\$ -	\$ (3,956)

Confiscated Assets Fund			
Budget		Actual	Variance With Final Budget
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	7,249	7,249
-	-	1,000	1,000
1,000	1,000	1,501	501
1,000	1,000	9,750	8,750
72,162	72,162	37,868	34,294
-	-	-	-
72,162	72,162	37,868	34,294
(71,162)	(71,162)	(28,118)	43,044
-	-	-	-
-	-	-	-
(71,162)	(71,162)	(28,118)	43,044
81,033	81,033	81,033	-
\$ 9,871	\$ 9,871	\$ 52,915	\$ 43,044

CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2005

	Hotel/Motel Tax Fund			
	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues:				
Taxes	\$ 55,414	\$ 55,414	\$ 55,648	\$ 234
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Interest income	50	50	37	(13)
Total revenues	55,464	55,464	55,685	221
Expenditures:				
Current:				
Public safety	-	-	-	-
Housing and development	22,074	22,074	22,259	(185)
Total expenditures	22,074	22,074	22,259	(185)
Excess (deficiency) of revenues over expenditures	33,390	33,390	33,426	36
Other financing uses:				
Transfers out	(33,390)	(33,390)	(33,389)	1
Total other financing uses	(33,390)	(33,390)	(33,389)	1
Net changes in fund balance	-	-	37	37
Fund balances, beginning of year	26	26	26	-
Fund balances, end of year	\$ 26	\$ 26	\$ 63	\$ 37

Cemetery Fund			
Budget		Actual	Variance With Final Budget
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
6,500	6,500	5,804	(696)
200	200	663	463
6,700	6,700	6,467	(233)
-	-	-	-
-	-	-	-
-	-	-	-
6,700	6,700	6,467	(233)
-	-	(9,057)	(9,057)
-	-	(9,057)	(9,057)
6,700	6,700	(2,590)	(9,290)
30,088	30,088	30,088	-
\$ 36,788	\$ 36,788	\$ 27,498	\$ (9,290)

CITY OF FAYETTEVILLE, GEORGIA
SPECIAL REVENUE FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2005**

	Vehicle Excise Tax Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Taxes	\$ 64,750	\$ 64,750	\$ 47,229	\$ (17,521)
Intergovernmental	-	-	-	-
Fines and forfeitures	-	-	-	-
Contributions	-	-	-	-
Interest income	100	100	98	(2)
Total revenues	64,850	64,850	47,327	(17,523)
Expenditures:				
Current:				
Public safety	-	-	-	-
Housing and development	64,850	64,850	47,327	17,523
Total expenditures	64,850	64,850	47,327	17,523
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing uses:				
Transfers out	-	-	-	-
Total other financing uses	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balances, beginning of year	-	-	-	-
Fund balances, end of year	\$ -	\$ -	\$ -	\$ -

CITY OF FAYETTEVILLE, GEORGIA
CAPITAL PROJECTS FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2005**

	Special Purpose Local Option Sales Tax Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	236,613	236,613	196,447	(40,166)
Intergovernmental	150,000	150,000	-	(150,000)
Impact fees	-	-	-	-
Contributions	50,000	50,000	-	(50,000)
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
Total revenues	<u>436,613</u>	<u>436,613</u>	<u>196,447</u>	<u>(240,166)</u>
Expenditures:				
Capital outlay				
General government	-	-	-	-
Public safety	798,939	798,939	-	798,939
Public works	-	-	-	-
Housing and development	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>798,939</u>	<u>798,939</u>	<u>-</u>	<u>798,939</u>
Excess (deficiency) of revenues (over) expenditures	<u>(362,326)</u>	<u>(362,326)</u>	<u>196,447</u>	<u>558,773</u>
Other financing sources (uses):				
Proceeds from capital leases	-	-	-	-
Transfers in	362,326	362,326	-	(362,326)
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>362,326</u>	<u>362,326</u>	<u>-</u>	<u>(362,326)</u>
Net change in fund balances	-	-	196,447	196,447
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 196,447</u>	<u>\$ 196,447</u>

Impact Fee Fund			
Budget		Actual	Variance With Final Budget
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
672,141	672,141	922,321	250,180
-	-	-	-
7,000	7,000	29,193	22,193
-	-	3,975	3,975
679,141	679,141	955,489	276,348
250	250	-	250
-	-	-	-
-	-	-	-
18,389	18,389	18,389	-
-	-	-	-
-	-	-	-
18,639	18,639	18,389	250
660,502	660,502	937,100	276,598
-	-	-	-
-	-	-	-
(1,090,698)	(1,026,316)	(507,023)	519,293
(1,090,698)	(1,026,316)	(507,023)	519,293
(430,196)	(365,814)	430,077	795,891
898,845	898,845	898,845	-
\$ 468,649	\$ 533,031	\$ 1,328,922	\$ 795,891

CITY OF FAYETTEVILLE, GEORGIA
CAPITAL PROJECTS FUNDS

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JULY 31, 2005**

	Building Fund			
	Budget		Actual	Variance With Final Budget
	Original	Final		
Revenues:				
Property taxes	\$ 502,923	\$ 502,923	\$ 458,700	\$ (44,223)
Sales taxes	-	-	-	-
Intergovernmental	1,344,800	1,304,800	34,715	(1,270,085)
Impact fees	-	-	-	-
Contributions	475,392	425,392	271,497	(153,895)
Interest income	1,525	1,525	22,236	20,711
Miscellaneous income	-	-	-	-
Total revenues	<u>2,324,640</u>	<u>2,234,640</u>	<u>787,148</u>	<u>(1,447,492)</u>
Expenditures:				
Capital Outlay:				
General government	50,000	75,000	60,432	14,568
Public safety	3,405,411	3,420,411	2,628,731	791,680
Public works	591,139	213,675	284,405	(70,730)
Housing and development	1,886,256	1,886,256	386,914	1,499,342
Debt service:				
Principal	338,303	338,303	54,059	284,244
Interest	233,468	236,533	199,228	37,305
Total expenditures	<u>6,504,577</u>	<u>6,170,178</u>	<u>3,613,769</u>	<u>2,556,409</u>
Excess (deficiency) of revenues (over) expenditures	<u>(4,179,937)</u>	<u>(3,935,538)</u>	<u>(2,826,621)</u>	<u>1,108,917</u>
Other financing sources (uses):				
Proceeds from capital leases	3,286,111	3,286,111	-	(3,286,111)
Transfers in	953,334	783,934	505,663	(278,271)
Transfers out	(32,920)	(32,920)	-	32,920
Total other financing sources (uses)	<u>4,206,525</u>	<u>4,037,125</u>	<u>505,663</u>	<u>(3,531,462)</u>
Net change in fund balances	26,588	101,587	(2,320,958)	(2,422,545)
Fund balances, beginning of year	<u>2,843,567</u>	<u>2,843,567</u>	<u>2,843,567</u>	<u>-</u>
Fund balances, end of year	<u>\$ 2,870,155</u>	<u>\$ 2,945,154</u>	<u>\$ 522,609</u>	<u>\$ (2,422,545)</u>

CITY OF FAYETTEVILLE, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX PROCEEDS FOR THE FISCAL YEAR ENDED JULY 31, 2005

<u>Project</u>	<u>Original Estimated Cost</u>	<u>Current Estimated Cost</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Intersections	\$ 291,000	\$ 291,000	\$ -	\$ -	\$ -
Roadways	2,196,494	2,196,494	-	-	-
Streetscapes/paths	<u>1,759,833</u>	<u>1,759,833</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 4,247,327</u>	<u>\$ 4,247,327</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**COMPONENT UNIT –
DOWNTOWN DEVELOPMENT AUTHORITY**

CITY OF FAYETTEVILLE, GEORGIA

BALANCE SHEET COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY JULY 31, 2005

ASSETS

Current assets	
Cash	\$ 119,982
Accounts receivable	25,000
Due from primary government	4,089
Prepaid expenditures	<u>2,157</u>
Total current assets	<u>151,228</u>
Restricted cash	<u>204,955</u>
Total assets	<u><u>\$ 356,183</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts payable	\$ 3,132
Due to primary government	<u>3,807</u>
Total liabilities	<u>6,939</u>

FUND BALANCE

Unreserved, undesignated	
Total fund balance	<u>349,244</u>
Total liabilities and fund balance	<u><u>\$ 356,183</u></u>

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED JULY 31, 2005

Revenues:

Contributions	\$ 243,747
Interest income	8,955
Other revenues	112,828
Total revenues	<u>365,530</u>

Expenditures:**Current:**

Housing and development	<u>324,157</u>
-------------------------	----------------

Debt service:

Principal	117,444
Interest	133,156
Total debt service	<u>250,600</u>

Total expenditures	<u>574,757</u>
--------------------	----------------

Deficiency of revenues under expenditures	(209,227)
---	-----------

Other financing sources:

Sale of assets	<u>40,000</u>
----------------	---------------

Net change in fund balance	(169,227)
----------------------------	-----------

Fund balance, beginning of year	<u>518,471</u>
---------------------------------	----------------

Fund balance, end of year	<u>\$ 349,244</u>
---------------------------	-------------------

**COMPONENT UNIT –
MAIN STREET TOURISM ASSOCIATION**

CITY OF FAYETTEVILLE, GEORGIA

STATEMENT OF CASH FLOWS COMPONENT UNIT - MAIN STREET TOURISM ASSOCIATION FOR THE FISCAL YEAR ENDED JULY 31, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 219,340
Payments to suppliers and service providers	(413,631)
Payments to employees	<u>(8,068)</u>
Net cash used in operating activities	<u>(202,359)</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Contributions	<u>201,648</u>
Net cash provided by noncapital financing activities	<u>201,648</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	<u>1,693</u>
Net cash provided by investing activities	<u>1,693</u>

Increase in cash and cash equivalents	982
---------------------------------------	-----

Cash and cash equivalents:

Beginning of year	<u>11,026</u>
End of year	<u><u>\$ 12,008</u></u>

Reconciliation of operating loss to net cash used in operating activities:

Operating loss	\$ (187,649)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Decrease in accounts receivable	3,295
Decrease in due from primary government	1,688
Increase in prepaid expenses	(26,525)
Decrease in accounts payable	(17,996)
Increase in deferred revenue	24,291
Increase in due to primary government	<u>537</u>
Net cash used in operating activities	<u><u>\$ (202,359)</u></u>

OTHER SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

**Honorable Mayor and Members
Of City Council
City of Fayetteville
Fayetteville, Georgia**

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Fayetteville, Georgia (the City) as of and for the year ended July 31, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 28, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

For the year ended July 31, 2005, the City was in violation of the rate covenant contained in the 2003 Water and Sewerage Revenue Bond Ordinance. The Bond Ordinance states that the rates, tolls, fees and charges should be, at any given time, sufficient to produce net revenues of at least 115% of the amount of the debt service requirement for the current sinking fund year of the 2003 Water and Sewerage Bonds.

We also noted certain additional matters that we reported to the management of the City of Fayetteville, Georgia in a separate letter dated October 28, 2005.

This report is intended solely for the information and use of the management, Mayor and City Council of the City of Fayetteville, Georgia, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Macon, Georgia
October 28, 2005

STATISTICAL SECTION

CITY OF FAYETTEVILLE, GEORGIA

GENERAL FUND EXPENDITURES BY FUNCTION LAST TEN FISCAL YEARS

Fiscal Year	General Government	Judicial	Public Safety	Public Works
1996	\$ 455,756	\$ -	\$ 2,610,508	\$ 473,008
1997	438,339	-	2,920,077	580,806
1998	471,320	-	3,241,480	524,625
1999	615,074	187,875	3,521,554	583,152
2000	652,409	280,233	4,235,566	719,939
2001	743,650	385,612	4,689,412	646,145
2002	792,108	321,155	4,233,756	842,283
2003	936,396	477,836	4,440,347	732,198
2004	1,072,138	477,543	5,223,710	922,451
2005	1,029,781	585,993	5,607,661	928,637

Note 1: During the fiscal year ended July 31, 2001, the City adopted the State of Georgia Uniform Chart of Accounts. Some of the functions listed in the statistical section of the prior year financial statements have been regrouped to correspond with the functions used with the new chart of accounts.

Note 2: During the fiscal year ended July 31, 2001, the City set up the Solid Waste Enterprise Fund to account for sanitation activities.

Source: City of Fayetteville, Georgia General Fund financial records.

Housing and Development	Debt Service	Sanitation	Total
\$ 407,257	\$ -	\$ 305,040	\$ 4,251,569
528,221	-	354,494	4,821,937
530,552	-	376,924	5,144,901
599,715	-	450,207	5,957,577
746,764	-	465,413	7,100,324
843,374	160,000	-	7,468,193
844,229	397,264	-	7,430,795
819,389	367,738	-	7,773,904
829,151	338,655	-	8,863,648
775,702	250,369	-	9,178,143

CITY OF FAYETTEVILLE, GEORGIA

GENERAL FUND REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year	Taxes	Licenses and Permits	Inter- Governmental	Fines and Forfeitures
1996	\$ 2,720,715	\$ 837,256	\$ 108,923	\$ 532,100
1997	3,022,640	867,626	157,258	589,618
1998	3,220,761	972,725	204,181	701,069
1999	3,606,075	1,066,043	204,821	796,713
2000	3,790,175	1,208,359	135,147	824,224
2001	4,954,354	310,287	20,000	659,339
2002	5,466,835	373,336	264,281	728,604
2003	5,896,677	336,138	111,086	930,263
2004	6,306,599	387,670	413,620	838,928
2005	6,579,096	479,681	61,827	1,093,293

Note: During the fiscal year ended July 31, 2001, the City adopted the State of Georgia Uniform Chart of Accounts. Some of the functions listed in the statistical section of the prior year financial statements have been regrouped to correspond with the functions used with the new chart of accounts.

Source: City of Fayetteville, Georgia General Fund financial records.

Charges for Services		Mainstreet	Interest	Other	Total
\$	314,863	\$ 49,804	\$ -	\$ 107,749	\$ 4,671,410
	343,563	46,951	-	133,108	5,160,764
	380,099	46,946	-	189,875	5,715,656
	420,841	57,063	-	260,978	6,412,534
	461,159	70,498	-	234,249	6,723,811
	70,486	117,252	101,180	70,576	6,303,474
	120,060	107,197	50,905	72,155	7,183,373
	75,051	73,718	30,381	54,895	7,508,209
	119,287	58,634	24,372	59,036	8,208,146
	14,065	58,369	48,636	28,952	8,363,919

CITY OF FAYETTEVILLE, GEORGIA

GENERAL FUND TAX REVENUES BY SOURCE LAST TEN FISCAL YEARS

Fiscal Year	Property Tax	Sales Tax	Franchise Tax	Alcoholic Beverage Tax
1996	\$ 998,852	\$ 1,043,439	\$ 500,119	\$ 203,376
1997	1,034,559	1,197,006	541,117	229,663
1998	886,641	1,352,221	706,963	247,221
1999	1,007,203	1,584,548	725,687	257,845
2000	1,026,363	1,720,009	736,988	272,889
2001	1,065,889	1,819,464	737,066	281,202
2002	1,237,725	1,917,851	779,296	303,884
2003	1,354,814	2,026,571	820,915	303,255
2004	1,473,367	2,235,325	839,639	316,115
2005	1,632,509	2,188,489	955,592	358,800

Note: During the fiscal year ended July 31, 2001, the City adopted the State of Georgia Uniform Chart of Accounts. Some of the functions listed in the statistical section of the prior year financial statements have been regrouped to correspond with the functions used with the new chart of accounts.

Source: City of Fayetteville, Georgia General Fund financial records.

Insurance Premium Tax	Business and Occupation Tax	Other Taxes	Total
\$ -	\$ -	\$ -	\$ 2,745,786
-	-	20,295	3,022,640
-	-	27,715	3,220,761
-	-	30,792	3,606,075
-	-	33,926	3,790,175
251,629	695,245	103,859	4,954,354
404,941	685,550	137,588	5,466,835
444,312	752,542	194,268	5,896,677
478,864	761,193	202,096	6,306,599
518,958	760,525	164,223	6,579,096

CITY OF FAYETTEVILLE, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS (1) LAST TEN FISCAL YEARS

Fiscal Year	Total Tax Levy	Current Tax Collections	Percentage of Levy Collected	Delinquent Tax Collections
1996	\$ 1,143,711	\$ 1,079,570	94.4 %	\$ 16,964
1997	1,166,133	1,144,108	98.1	8,374
1998	987,964	936,585	94.8	4,831
1999	1,163,137	1,139,694	98.0	16,649
2000	1,239,746	1,185,891	95.7	27,427
2001	1,357,583	1,331,974	98.1	16,431
2002	1,457,954	1,410,538	96.7	22,325
2003	1,567,067	1,486,650	94.9	17,257
2004	1,885,197	1,835,197	97.3	45,783
2005	2,016,641	1,852,886	91.9	31,764

(1) Collections by Fayette County Tax Collector

Source: City of Fayetteville, Georgia financial records.

Total Tax Collections		Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
\$	1,096,534	95.9 %	\$ 7,582	0.7 %
	1,152,482	98.8	37,686	3.2
	941,416	95.3	24,421	2.5
	1,156,343	99.4	13,501	1.2
	1,213,318	97.9	45,898	3.7
	1,348,405	99.3	57,981	4.3
	1,432,863	98.3	72,431	5.0
	1,503,907	96.0	78,943	5.0
	1,880,980	99.8	52,961	2.8
	1,884,650	93.5	76,700	3.8

CITY OF FAYETTEVILLE, GEORGIA

ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value
1996	\$ 166,975,957	\$ 417,439,893	\$ 40,560,978	\$ 101,402,445
1997	189,227,072	473,067,679	48,207,451	120,518,628
1998	234,972,254	587,430,635	60,303,134	150,757,835
1999	265,572,853	663,932,133	65,487,118	163,717,795
2000	309,498,939	773,747,348	71,333,485	178,333,713
2001	382,239,825	955,599,563	58,949,321	147,373,303
2002	460,326,123	1,150,815,308	62,204,701	155,511,753
2003	514,972,430	1,287,431,075	62,838,196	157,095,490
2004	596,408,090	1,491,020,225	62,310,743	155,776,858
2005	643,824,294	1,609,560,735	65,760,366	164,400,915

(1) State of Georgia requires 40% assessment of actual value.

Source: City of Fayetteville, Georgia and Fayette County, Georgia tax records.

Public Utilities		Total		Ratio (%) of
Assessed	Estimated	Assessed	Estimated	Total Assessed
Value	Actual	Value	Actual	Value to
	Value		Value	Total Estimated
				Actual Value (1)
\$ 5,333,913	\$ 13,334,783	\$ 212,870,848	\$ 532,177,121	40
5,032,547	12,581,368	242,467,070	606,167,675	40
5,709,182	14,272,955	300,984,570	752,461,425	40
5,709,182	14,272,955	336,769,153	841,922,883	40
6,286,159	15,715,398	387,118,583	967,796,459	40
7,128,616	17,821,540	448,317,762	1,120,794,406	40
8,032,951	20,082,378	530,563,775	1,326,409,439	40
7,801,976	19,504,939	585,612,602	1,464,031,504	40
7,531,135	18,827,838	666,249,968	1,665,624,921	40
7,466,898	18,667,245	717,051,558	1,792,628,895	40

CITY OF FAYETTEVILLE, GEORGIA

PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS (PER \$1,000 OF ASSESSED VALUE) LAST TEN FISCAL YEARS

Fiscal Year	State	County	County School District	City of Fayetteville			Total
				General Fund	Capital Projects Fund	Total City	
1996	0.25	5.74	25.33	4.20	0.75	4.95	36.27
1997	0.25	6.96	24.83	3.08	0.75	3.83	35.87
1998	0.25	6.35	23.99	2.77	0.75	3.52	34.11
1999	0.25	6.31	23.53	2.59	0.75	3.34	33.43
2000	0.25	6.56	26.16	2.47	0.75	3.22	36.19
2001	0.25	6.64	25.56	2.47	0.75	3.22	35.67
2002	0.25	6.20	21.69	2.36	0.75	3.11	31.25
2003	0.25	6.82	22.70	2.28	0.75	3.03	32.80
2004	0.25	6.38	22.68	2.28	0.75	3.03	32.34
2005	0.25	6.08	18.75	2.28	0.75	3.03	28.11

Source: City of Fayetteville, Georgia and Fayette County, Georgia tax records.

CITY OF FAYETTEVILLE, GEORGIA

PRINCIPAL TAXPAYERS JULY 31, 2005

<u>Taxpayer</u>	<u>Type of Business</u>	<u>Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Inland Southeast Fayette	Real Estate Development	\$ 52,810,864	7.37 %
Piedmont Hospital, Inc.	Medical Services	5,848,628	0.82
CP Summit Retail LLC	Retail Planning	5,372,488	0.75
BellSouth Telecommunications	Public Utilities	4,714,604	0.66
Fayetteville Towne Center	Retail Planning	4,702,776	0.66
Yorktown Building Holding Co.	Medical Services	4,225,680	0.59
FAI Ltd.	Apartments	3,880,000	0.54
Banks Crossing Limited Partnership	Retail	3,863,920	0.54
Lowes Home Centers, Inc.	Retail	3,781,200	0.53
Uptown Square	Retail	<u>3,680,000</u>	<u>0.51</u>
		<u><u>\$ 92,880,160</u></u>	<u><u>12.95 %</u></u>

Source: City of Fayetteville, Georgia and Fayette County, Georgia tax records.

CITY OF FAYETTEVILLE, GEORGIA

COMPUTATION OF LEGAL DEBT MARGIN JULY 31, 2005

Assessed value of all taxable property	\$	717,051,558	
Plus exempt property		<u>59,918,507</u>	<u>\$ 657,133,051</u>
Debt limit - 10% of assessed value			\$ 65,713,305
Debt applicable to limitation:			
Total general bonded debt	\$	-	
Less assets in debt service available for payment of principal		<u>-</u>	
Total amount of debt applicable to debt limit			<u>-</u>
Legal debt margin			<u>\$ 65,713,305</u>

Source: City of Fayetteville, Georgia tax records.

CITY OF FAYETTEVILLE, GEORGIA

COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT - GENERAL OBLIGATION BONDS JULY 31, 2005

<u>Jurisdiction</u>	<u>Net General Obligation Bond Debt Outstanding</u>	<u>Percentage Applicable to City of Fayetteville</u>	<u>Amount Applicable to City of Fayetteville</u>
Fayette County School District	\$ 137,780,800	10 %	\$ 13,778,080

Source: Fayette County School District.

CITY OF FAYETTEVILLE, GEORGIA

REVENUE BOND COVERAGE - WATER AND SEWER FUND LAST TEN FISCAL YEARS

Fiscal Year	Net Income (Loss)	Depreciation & Amortization	Interest Expense	Transfers
1996	\$ 319,835	\$ 510,583	\$ 322,827	\$ -
1997	364,616	496,067	157,255	-
1998	1,407	779,521	455,330	-
1999	280,816	884,094	585,238	-
2000	252,907	892,282	566,406	-
2001	(274,289)	931,105	550,397	-
2002	60,143	913,473	523,207	-
2003	523,089	925,727	499,223	50,830
2004	855,919	1,055,740	624,337	(15,432)
2005	1,293,381	1,157,314	619,866	24,999

Source: City of Fayetteville, Georgia financial records.

Net Revenue Available For Debt		Debt Service Requirements	Debt Service Coverage Ratio (%)
\$	1,153,245	\$ 639,979	1.80 %
	1,017,938	628,236	1.62
	1,236,258	699,231	1.77
	1,750,148	782,228	2.24
	1,711,595	1,027,041	1.67
	1,207,213	1,036,116	1.17
	1,496,823	1,090,623	1.37
	1,998,869	862,500	2.32
	2,520,564	1,514,685	1.66
	3,095,560	1,663,791	1.86

CITY OF FAYETTEVILLE, GEORGIA

DEMOGRAPHIC STATISTICS LAST TEN FISCAL YEARS

Fiscal Year	(1) Population	School (2) Enrollment	(%) Unemployment Rate (3)
1996	8,972	4,297	2.9
1997	9,548	5,253	2.1
1998	10,000	5,268	2.1
1999	11,150	5,250	2.2
2000	11,300	5,308	2.0
2001	12,593	5,742	3.4
2002	13,133	5,862	2.6
2003	13,306	5,884	3.0
2004	13,792	5,340	2.7
2005	14,395	5,266	4.6

(1) Estimated population.

(2) From the Fayette County Board of Education.

(3) Information available for Fayette County only.

Note: Information on median age, highest education level not available for the City of Fayetteville.

CITY OF FAYETTEVILLE, GEORGIA

PROPERTY VALUE, CONSTRUCTION ACTIVITY AND BANK DEPOSITS LAST TEN FISCAL YEARS

Fiscal Year	Property Value (1)			Commercial Construction (2)	
	Commercial	Residential	Not Taxable	Number of Units	Value
1996	\$ 253,506,110	\$ 258,027,290	\$ 25,258,698	68	\$ 46,659,791
1997	301,296,570	292,289,738	25,258,698	32	14,707,810
1998	376,894,588	361,293,882	37,012,275	80	18,698,240
1999	409,295,488	418,355,440	37,354,498	30	15,066,359
2000	445,834,283	506,246,778	39,953,758	48	18,528,467
2001	342,023,965	589,823,623	38,167,063	35	19,244,532
2002	434,311,820	683,034,493	135,424,975	34	6,944,428
2003	480,596,185	775,946,963	135,743,165	32	10,483,968
2004	617,333,530	843,320,518	145,782,138	26	17,442,811
2005	631,667,670	949,863,078	149,796,268	36	16,379,692

Source:

- (1) Estimated actual value. Data obtained from Fayette County, Georgia.
- (2) City of Fayetteville, Georgia records.
- (3) From the records of the Federal Reserve Bank of Atlanta, Federal Depository Insurance Corporation and local banks.

Residential Construction (2)			Bank	
Number of			Deposits (3)	
Units		Value	(In Thousands)	
204	\$	22,133,560	\$	357,078
191		24,016,412		408,734
341		42,510,498		412,634
359		44,996,559		498,104
332		47,655,573		538,124
345		51,228,436		638,882
275		48,792,163		656,927
142		22,502,164		758,953
213		34,742,139		774,264
217		33,722,368		826,190

CITY OF FAYETTEVILLE, GEORGIA

MISCELLANEOUS STATISTICS

JULY 31, 2005

Date of Incorporation	1970
Form of Government	Mayor and Council (5 Council Members elected) City Manager
Area	9.74 Square Miles
Miles of Road	Paved 105
Miles of Sewer	Sanitary 93
Number of Employees	
Full-time	138
Part-time	5
Population Estimate	14,395
Number of Registered Voters	6,700
Percent of Registered Voters Voting in Last Election	6.5%

Source: City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

USER FEES AND CHARGES

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission ("SEC"), the City has covenanted to disclose the following annual financial information.

User fees are set by the Mayor and Council to recover independently the cost of providing water and sewerage service, to pay principal and interest on debt obligations of the System and to general reserves for emergencies and expansion of the System. The Mayor and Council last adopted a schedule for rates, tolls, assessments and fees charged by the System in October 1992. The City has covenanted in the Ordinance to revise and adjust such schedule of rates, fees and charges for water and sewerage services and facilities to the extent necessary to produce funds at least equal to the amount necessary to: (1) operate and maintain the System on a sound businesslike basis but before provision for depreciation or amortization; (2) produce an amount equal to 115% of the Debt Service Requirement for the then current Sinking Fund Year, (3) create and maintain in the Debt Service Reserve Fund an amount equal to the Debt Service Reserve Requirement and (4) make the payments then required to be made into the Renewal and Extension Fund.

The minimum water and sewer bill is based on the first 2,000 gallons of water usage. In addition to the charges outlined below for water and sewerage usage, the City charges a minimum water meter fee of \$900.00 and has adopted a proportionate share fee system for new sewer service based on land uses and square footage. The proportionate share sewer fee is imposed to recover transmission and other costs associated with developing new sewer collection basins and service areas. These charges range from \$995.00 for a single family residential dwelling to \$181.00 per 1,000 square feet of retail, \$226.00 per 1,000 square feet of standard office and \$453.00 per 1,000 square feet of medical space. The City segregates proportionate share fees from system revenues, and they are not pledged as security for the payment of the Series 2003 Bonds.

Based on the current rate structure and average residential water usage of 7,500 gallons per month, the average water bill for a residential customer is approximately \$25.20 per month. The average residential sewer bill is approximately \$19.08 per month.

Largest Customers

There are no significant industrial users of the System and no customer accounts for more than 5.3% of System revenue. During fiscal year ended July 31, 2005, the largest water and sewer customers of the System were the Fayette County School System with a total billing of 18,325,960 gallons or 3.09% of System operating revenue and Banks Station/EIG Banks Station, LLC, a retail shopping center, with a total billing of 6,665,400 gallons or 1.1% of System operating revenue.

The largest water only customer was Walker Concrete with a total billing of 3,002,400 gallons or .05% of water revenue. The largest sewer only customers were Fourth Quarter Properties/Fayette Pavilion with a total billing of 22,178,689 gallons or 5.25% of total sewer revenue and Fayette Community Hospital with a total billing of 22,258,500 gallons or 5.27% of sewer revenue.

CITY OF FAYETTEVILLE, GEORGIA

WATER SUPPLY BY SOURCE (IN THOUSAND GALLONS)

Calendar Year	Fayette County		System Well/Water Plant		Total Usage	Percent Change
	Volume	Percent	Volume	Percent		
1995	213,050	47.6 %	234,695	52.4 %	447,745	(2.6) %
1996	265,412	56.4	205,159	43.6	470,571	5.1
1997	264,242	57.0	199,055	43.0	463,297	(1.5)
1998	42,334	8.7	446,557	91.3	488,891	5.5
1999	64,160	11.9	477,052	88.1	541,212	10.7
2000	156,758	29.2	380,071	70.8	536,829	(0.8)
2001	140,275	26.1	397,929	73.9	538,204	0.3
2002	87,253	15.7	467,034	84.3	554,287	3.0
2003	28,147	4.6	585,799	95.4	613,946	10.8
2004	59,077	9.8	542,820	90.2	601,897	(2.0)

Note: Current year amounts were unavailable as of our report date.

Source: City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

WASTEWATER TREATMENT PLANT AVERAGE FLOW (IN MILLION GALLONS PER DAY)

Calendar Year	Average Daily Flow MGD	Average Weekly Peak Flow MGD
1995	1.18	2.12
1996	1.24	1.43
1997	1.59	1.89
1998	1.41	1.61
1999	1.41	1.61
2000	1.78	1.61
2001	1.82	1.97
2002	2.15	2.38
2003	2.27	2.50
2004	2.11	2.31

Note: The City's sewerage system consists of a modern secondary wastewater treatment facility, twenty-one (21) pumping stations and approximately ninety-three (93) miles of collector and transmission lines. The Whitewater Creek wastewater treatment plant was expanded and upgraded in 1992 to 3.75 MGD through a 4% \$4,000,000 State Revolving Fund loan which is subordinate to the 2003 Bonds. Annual average daily flow and average weekly peak flow to the City's wastewater treatment facility is listed above. Current year amounts were not available as of our report date.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER CUSTOMERS

Calendar Year	Number of Water Customers	% Increase Water Customers	Number of Sewer Customers	% Sewer to Water Customers
1995	4,767	4.7 %	4,029	84.5 %
1996	5,052	6.0	4,316	85.4
1997	5,325	5.4	4,491	84.3
1998	5,470	2.7	4,913	89.8
1999	5,662	3.5	5,152	91.0
2000	5,955	5.2	5,562	93.4
2001	6,174	3.7	5,762	93.3
2002	6,240	1.1	6,044	96.9
2003	6,263	0.4	6,183	98.7
2004	6,322	0.9	6,494	102.7

Note: Current year amounts were unavailable as of our report date.

Source: City of Fayetteville, Georgia records.

CITY OF FAYETTEVILLE, GEORGIA

WATER AND SEWER USER RATES

<u>Customer</u>	<u>Usage</u>	<u>Water Rate</u>	<u>Usage</u>	<u>Sewer Rate</u>
Residential	0-2000 gallons	\$12.00 minimum	0-2000 gallons	\$10.00 minimum
	2000 and above	\$2.40/1000 gallons	2000 and above	\$1.65/1000 gallons
Commercial	0-2000 gallons	\$22.00 minimum	0-2000 gallons	\$20.00 minimum
	2000 and above	\$2.40/1000 gallons	2000 and above	\$1.65/1000 gallons

Source: City of Fayetteville, Georgia records.